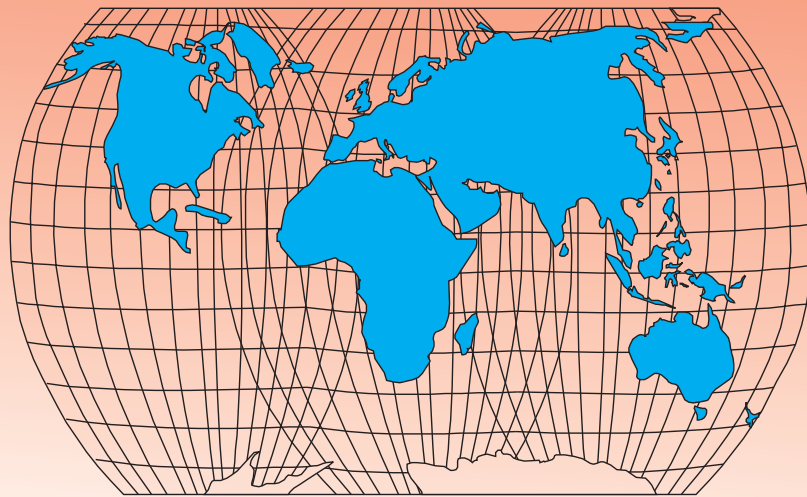


# The Contemporary Economic Challenges and Islam

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## PREFACE

International Monetary Fund (IMF), the World Bank (WB) and General Agreement on Tariffs and Trade (GATT) were instituted after World War II with objective to reorder and reorganize the tattered world economy. Forty four key – mainly Northern – economic and political leaders of the world who gathered at Bretton Woods, N.H., were of the view that Nazi Germany and Japan's fascism and Europe's jingoism originated in the first place due to isolationist economic policies that almost all nations of the world pursued then. Such policies, they believed, had lead to crash of world trade, emergence of deprivation, outbreak of wars and resultantly had ushered in an unprecedented scale of poverty on earth. Bretton Woods Conference continued for 22 days<sup>1</sup> and culminated in the formation of above named international financial and economic regimes as sequel of post-WWII preparations for economic order on globe. By Dec. 1945, the required number of governments had ratified the treaties creating the organizations, and in summer of 1946 the organizations had begun operation. US eager to take on the role of the world's economic powerhouse opted in the Conference for a system based on the free movement of capital and goods with the US dollar as the international currency.

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<sup>1</sup> July 1-22, 1944

At the very outset in late '50s, the European countries refused to comply with the harsh conditionalities that accompanied support from IMF. In response to North's protest, a much looser Marshall Plan was set up to provide US finance as grants to Europe rather than loans. While for the Third World nations – that were then emerging into independence – any loan was accompanied by pressure and conditionalities to keep their economies in a complete check and open to foreign goods and capital.

By the early '60s, the Non-Aligned Movement (NAM) and the Group of 77 (G77) rallied in support of the South for a better deal. The North responded with declarations of its good intentions – but declared firmly that Bretton Woods institutions shall remain the sole arbiter of future economic activity. Later in the decade, the dream of a stable monetary system collapsed under the strain of US trade and budgetary deficits. While on the other side, the South fueled by moderately high growth rates, boomed due to oil as its primary commodity.

During the '70s, the surpluses<sup>2</sup> accruing to the oil producing OPEC countries were craftily recycled in such a way that they created a massive, permanent problem for the Third World. The oil money that went into Northern commercial banks was turned around and fed as loans to non-oil producing Third World. Due to this, the debt of the non-oil producing countries increased five folds<sup>3</sup> between 1973-82.

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<sup>2</sup> \$310 billion for the period of 1972-1977 alone

<sup>3</sup> \$612 billion

Multiple factors like corrupt political regimes, ill-planning, bad governance and above all, the heightened interest rates, rapidly deteriorated the economic condition of Third World in '80s. Much of the loan money was squandered on ill considered projects or simply siphoned off by Third World elites into personal accounts in the same Northern banks who had made the original loans. The result was cash strapped countries like Peru, Pakistan and Mexico who were unable even to pay the interest due on their debts. The situation once again undermined the world financial system; this time creating panic among Northern politicians and bankers.

During late '80s and early '90s, the IMF and WB thus launched a policy to *structurally adjust* the Third World by deflating economies and demanding a withdrawal of developing countries' governments from public enterprise. This did help,<sup>4</sup> but the Third World debt continued to grow.<sup>5</sup>

What followed in '90s was even more traumatic. GATT's final round of negotiations in 1995 brought before the world a new regime – the World Trade Organization (WTO) – responsible for monitoring international trading policies, handling trade disputes, enforcing the GATT agreements and for eliminating discriminatory treatment in international commerce. Besides having a controversial agenda, WTO's closed-door negotiations earned it a bad name at the very outset. The 135-strong WTO is headquartered in Geneva and holds international ministerial conferences.

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<sup>4</sup> Restructuring got \$178 billion out of the South between 1984-90, alone from private banks

<sup>5</sup> \$1,300 billion by 1992

Today after over 50 years, the IMF and WB fact-sheets are sobering for those who believed these institutions were there to help. The two now operate with reverse capital flows – in other words they take more money out of the Third World than they put back in. Peoples of the Third World are resisting IMF/WB structural adjustments, GATT/WTO, Globalization and New Economic Order through street riots and confrontational politics. Numerous anti-globalization organizations have sprung out of nowhere. They advocate localized industry instead of multinational corporations. The multi-point argument against the practices of the World Trade Organization (WTO) include: WTO is an unchecked economic power center that disregards economic health of third-world countries as well as the environment; it is a regime that have a direct impact on indigenous cultures; it impinges upon labor wages, trade liberalization, human rights, income distribution and above all it undermines economic sovereignty of poor states. Because of this, outright rejection of all things Western is on the rise.

And last but not the least, the Bretton Woods institutions themselves are threatened most severely from community activists and environmentalists calling for either their reform or outright abolition. After over half a century thus, the decisions reached at Bretton Woods seem unfulfilled and in need of a complete review.

This much has been said here to bring sensibility to a point where it may well ask itself; if socialism is defeated and capitalist policies beaten, where lies the human predicament? Is there a way-out for poverty-struck, down-to-earth nations of the globe greedy for and most urgently deserving an economic respite of one or the other kind? What is that Bretton Woods organizations and

the like miss-out while linking prosperity with their policies?

Prof. Khurshid Ahmad – an acknowledged international figure among economic giants of today – tells us about that missing link which if followed in earnest has a time-tested potential to respond to contemporary economic challenges. Himself an erudite practitioner and exponent of Islamic precepts, he merely makes passing references upon the ingredients of Islamic economic order while extensively exploring the past colonial exploits, enumerating the deficiencies of capitalism and bringing to light a wealth of unpleasant facts and figures that the modern Western economists cannot refute.

This empirical study is rendering of Prof. Khurshid's lecture that he served two years ago at Durban, at Southern African Islamic Economics, Banking and Finance seminar. Time could not erode the value of what had been said two years before, still the author has updated the information as far as possible by supplying relevant material appended at the end of the main text. We believe the book shall be received well among the economic policy-makers and those who are sincerely in search of a just order to make world a more-livable place for mankind.

January 4, 2002  
ISLAMABAD

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# THE CONTEMPORARY ECONOMIC CHALLENGES AND ISLAM •

Islam and Economic challenges of today is a subject that has assumed immense importance for people the world over. The argument that follows shall deal with it not merely in perspective of an economist, but a Muslim viewpoint shall also be discussed. The ultimate objective shall be to suggest some way out of the crisis; how these challenges may be faced, not the cure. The task is difficult in the sense that it covers a very vast area in a very short span of time. It shall not be inappropriate to say in the very outset that gist of what I gathered from my deep involvement in teaching and research in Economics is that ‘though economics is important, yet economics is not enough.’ Man does not live by bread alone. The economic dimension is very important, but the moral and human dimension is more important.

## **Material Opulence**

There is no denying that the last two hundred years have been extremely significant in the history of mankind. Economic and social transformation has taken place in an unprecedented manner. While acknowledging the quantitative and qualitative changes that have taken place

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• Keynote Address by Professor Khurshid Ahmed at the “Southern African Islamic Economics, Banking and Finance” seminar, held on Aug. 21-23, 1999 at Durban, South Africa. The data contained in this monograph has been updated in light of additional material presented here in the form of three appendices.



and are symbolized by what may be described as new icons of civilization and politico-economic power viz.: unending rows of skyscrapers, meta-industrial complexes, banks and finance houses, industrial giants, opera houses, museums, stadiums, airports, marvels of satellite technology and other expressions of affluence. It is important not to be overwhelmed by the sheen and glory of these manifestations of power. We must try to go behind what is apparent to see the true state of the human society. Yes, these two centuries have been centuries of great economic transformation. Consequently production has increased, new lands have been discovered and developed; land, sea and air communications have so increased that the distances of space and time seem to have been abridged, if not annihilated. Developed countries are awash with wealth and opulence. Science and technology, education and research, military power and political conquests have played a critical role in bringing about a global transformation. During these two centuries humanity has lived through three major economic experiments – viz.: Capitalism, Socialism and Fascism. I regard the mixed economy of the welfare state as part of the overall capitalist experiment and its latest formulation to overcome some of its widespread weaknesses and to face the demands of the democratic process.

### **Moral Privation**

That has been one side of the story. The other side is no less important. In fact it is more important because it relates to the human dimension. It would not be unfair to suggest that despite this unprecedented economic growth, technological transformation and material affluence; human predicament remains unalleviated. Poverty, human misery, deprivation and unemployment have not been

lifted off the brows of mankind. Crime, violence, suppression of human rights, disintegration of family values, wars of aggrandizement, and victimization of the innocent and the weak are rampant. The two great wars witnessed in the 20<sup>th</sup> century have taken a toll of human life, which surpasses the total loss of life and property in wars over the last fifty centuries. If the human cost of the First World War (1914-8) was about fifteen million people (civil and military personnel taken together) the death toll inflicted on human beings by the Second World War (1939-45) exceeded fifty-one million. Over 128 regional and civil wars after the Second World War have consumed another over 30 million human beings. And there is no end to the reign of terror and destruction. The weapons of mass destruction in the possession of USA and Russia despite significant reduction in numbers via SALT treaties, are enough to destroy the entire world over fifteen times. Israel alone has an arsenal that can destroy half of the world. And there is no end to further expansion and sophistication of the war machines. Despite all economic achievements, monetary miracles, technological transformations and material affluence the fundamental problems continue to stare humanity in the face. Forty per cent of the world population lives in poverty and around twenty per cent in abject poverty. And poverty is not merely the fate of the Third World countries. Even in the richest country of the world, the USA, where 5.8 per cent of world population owns 25 per cent of the total wealth of the world, one in every four children is born in poverty. In fact the world has become more unjust, more exploitative, and more unstable. Greed and not need has become the moving spirit. Justice to all and well being of the downtrodden are no longer the guiding stars. Hard facts reveal a state of affairs very

different from the glossy slogans, conceited claims and sugarcoated statistics.

### **Colonial Exploits**

In the middle of the 18<sup>th</sup> century and beginning of the 19<sup>th</sup> century, more specifically in the year 1800, the Gross Domestic Product (GDP) of Europe and America taken together, was around 28 per cent of the Gross Product of the world; while the GDP of those countries which are now the impoverished Third World countries, was over 70 per cent. The Indian sub-continent alone, accounted for some 20 per cent of the world GDP in 1800.<sup>1</sup> The fact is that these two centuries were centuries of development in some parts of the world and centuries of de-development in some other parts of the globe. There has been a major relocation of the world's wealth. *The World Development Report for 2000* presents a very alarming picture. At the end of the 20<sup>th</sup> century, countries making 18 per cent of the population of the world (22 developed countries) own 87 per cent of the world product. The remaining 82 per cent of the world population (167 countries) have to live on just 13 per cent of the world output. And the share of these 82 per cent is shrinking every year. There is a net transfer of resources from the poor countries of the world towards the rich. Enrichment of the rich and impoverishment of the poor has become the predicament of mankind and the greatest threat to humanity's future.

In the making of this situation a lot of responsibility lies on our own shoulders. However, historical facts and realities have to be acknowledged and addressed too. We have to realize that under the menacing

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<sup>1</sup> See Appendix 1: "Third World's/Muslim World's Journey from Equality to Impoverishment," on page 23

shadows of colonialists, both capitalist and socialist, exploitative, unjust and hegemonistic systems were imposed on the entire world. There is no denying the fact that while economic aggrandizement, political conquests and wars of aggression (i.e. some countries conquering and dominating other countries and vast areas) have always been there in history, yet it is only during the era of European Colonization that for the first time in human history such a large-scale transfer of resources and wealth from the rest of the world to certain limited areas. If you look into Paul Kennedy's *The Rise and Fall of the Great Powers*,<sup>2</sup> you will find that this Western historian confesses that the nature of imperialism during the last few centuries had been qualitatively different from earlier ages of foreign rule, because during this period we find a large scale transfer of wealth and resources, almost redistribution of world resources to the benefit of the foreign rulers. Colonies were exploited to enrich the so-called mother country. This has taken place not merely in the form of monetary assets. Gold and funds were not the only vehicles of transfer. Human beings were also used as chattels. It started with 'golden fleece', developed in the form of trade and transfer of physical resources, strengthened and fortified by the slave trade, indentured labor, and child trafficking and is now being perfected in the name of globalization, liberalization and the slavery of institutional debt. Slavery does not have just one prototype: it has many faces and assumes multiple profiles.

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<sup>2</sup> *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, Paul Kennedy, Unwin Hyman, UK, 1988

### **Collapse of Communism and Rise of Capitalism**

Socialism and Communism have collapsed under the burden of their own follies. External factors were also important. *Jihad* in Afghanistan was the final stroke. Russian withdrawal (1979) from Afghanistan marked the end of the Soviet era and the final disintegration of the Soviet superpower. The liberation of the Eastern European countries, and the collapse of the Soviet Empire, are major events of our time. However it would be fair to suggest that most definitely it were the internal contradictions and failures of the system, political, social, moral and economic, that lead to their final downfall. As a consequence of the fall of Communism, Capitalism and Liberalism are deemed to have emerged as the only dominant systems of the world. Yet the real problems of human society, which gave rise to the search for alternatives to Capitalism, and the emergence of Socialism and Fascism, are very much there. The contradictions of Capitalism remain unresolved. All the prattle about the ‘end of history’ and ‘superiority of liberal capitalism’, have remained empty claims without real substance. The ugly face of global capitalism is becoming more and more offensive and popular resentment against it is becoming more and more articulate. Seattle,<sup>3</sup> Washington,<sup>4</sup> Prague<sup>5</sup>, Davos<sup>6</sup>, Kayto,

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<sup>3</sup> WTO Meeting in Seattle, Nov. 29-Dec. 3, 1999: Elders, students and activists were at the forefront of thousands of peaceful demonstrators representing labor, environmental, consumer, health and food safety groups protesting closed-door meetings by trade ministers from 135 countries gathered at Seattle to set the global economic agenda for the next 10 to 20 years.

<sup>4</sup> IMF-WB meeting in Washington, April 16-17, 2000: Operating for a half century, the IMF and the World Bank have had devastating effects on the environment, social equity, democracy, local economies, cultures, and national sovereignty, and have been particularly destructive in Third World countries. Large-scale protests disrupted the two bodies meeting at Washington.

Quebec<sup>7</sup> and the latest 9/11 terror streak in New York<sup>8</sup> are becoming symbols of popular rebellion against global exploitation by the few. The stability of the system is at stake. Waves of recession are rising in different parts of the capitalist world. Monetary meltdown is becoming a recurring phenomenon. Unemployment is rising to menacing proportions even in many developed countries. The future is not as bright as it was predicted.

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<sup>5</sup> IMF-WB Annual meeting in Prague, Sept. 19-28, 2000: Some 18,000 World Bank and International Monetary Fund delegates, including government officials descend on the Czech capital, Prague for the institutions' annual meetings. An equally large number of street protesters rallied against them on Sept. 26, convinced that the two financial houses are doing more harm than good in developing countries.

<sup>6</sup> World Economic Forum (WEF) summit in Davos, Jan. 29, 2000: Anti-globalization protests turned violent outside the World Economic Forum (WEF) summit as the then US President Bill Clinton defended globalization and urged progress on a new world trade round. Anti-globalization protesters had vowed to demonstrate against the Davos meeting, despite unprecedented security and a court ban on them gathering. It was reported that several policemen were injured and windows smashed during the demonstrations. Shortly before Clinton's arrival at least one paragliding protester managed to evade roadblocks, swooping into the town trailing a banner reading "WEF: Decide With Your Heart".

<sup>7</sup> Free Trade Agreement of the Americas (FTAA) summit in Quebec, April 20, 2001: Quebec police virtually waged warfare against protesters, citizens, and anyone who was not behind their security wall several days after the summit. People were shot point-blank with tear gas guns, plastic bullet guns, and water cannons. 253 people (236 men & 17 women) were reportedly incarcerated. Human rights abuses were rampant; one class action lawsuit was allegedly leveled against the prison for brutality. Approximately 60 people maintain the solidarity vigil outside the jail. In Montreal, 10,000 students were then striking in support of the prisoners.

<sup>8</sup> On Sept. 11, 2001, four passenger jets crashed in US destroying the entire World Trade Center's twin towers in New York and damaging 1/12<sup>th</sup> portion of US Department of Defense Headquarters at the Pentagon in Washington. One plane crashed in the Pennsylvania countryside, killing all on board. An estimated more than 3,000 people lost their lives in this incident.

### **Capitalist System: Some Deficiencies**

How has all this happened? It is my humble submission that there is nothing wrong with the original institutions of private property and freedom of enterprise; they have always been there. They are not a new phenomenon and they are not a product or gift of Capitalism, as is often claimed. What is unique about Capitalism is not its reliance on private property, profit motive and freedom of enterprise; it is the overarching philosophy of uncontrolled self interest and unsubstantiated postulate that human beings are motivated by financial, pecuniary and profit-seeking motives only. That man, is only an 'economic man', i.e. one who is exclusively and perpetually engaged in the calculation of profit and loss; that decision making is solely on the criteria of personal gain, that state has to be neutral; and that in economic matters, market is sovereign. In a nutshell, the hedonistic philosophy that economics is to be value-free and that the only driving force in the economy is maximization of profits, motivated by personal gain and pleasure. These have been decisive factors that go to fashion the life of an individual and of the economy and society under capitalism. In this process of economic transformation, 'capital' plays the most important, a dominant and piloting role. Those who have capital are the real masters of the system. As capital formation depends on savings, the class that can save most, the profit earning class, are the premium mobile of the society, the real princes of the system. Wage earners are at best instruments in the process and not real generators of wealth and its beneficiaries. They are only grains to the mill. It is this shift from man to money, from values to profit and wealth maximization and from physical generation of goods and services to almost unlimited expansion of money and virtual money that has changed the focus of economic life

and activity. That is the main character and true spirit, the elan of the Capitalist System. Originally, money was only a medium of exchange to facilitate economic activity. This has been described by economists in the form of a formula CMC – ‘Commodity changes into Money again into Commodity’. In this system money facilitates production and exchange of commodities and services, things that are going to make life better. In Capitalism this was reversed so as to become MCM – ‘Money, Commodity again for Money’. With the result that focus shifted from production, services and physical wherewithal as the main objectives of the economy to monetary gain and monetary expansion, as the ultimate objective. Money was no longer a medium and a facilitator; it became a commodity desired in its own right. But that was not enough. A new transformation has taken place in the present stage of Capitalism. The money-centrism is now approaching its final culmination leading to a new formulation which may be described as M-M-M – that is when money produces money almost without physical asset creation. This leads to the bubble economy we are witnessing in the world of derivations. This is the ultimate shape of capitalism. But this also has in its bosom the seeds of instability and non-sustainability that may herald the final collapse of the system. Let us see where the system is driving humanity.

### **Where shall Capitalism lead**

In the last three decades of capitalism focus has shifted from the physical economy towards a financial expansion that is fiduciary in nature, with minimal links with physical asset-creation. The bubble is burgeoning with an expansion of derivatives, options, and claims – a plethora of commodity and credit derivatives. We are not dealing so much with the physical development of the real



economy. We are no longer dealing in assets, not even claims on assets, which are there in the form of stocks and bonds. Instead we are dealing more and more in fictional claims on claims on assets. We are in the grips of a virtual economy – capable of producing millionaires and billionaires but not capable of feeding the millions that are hungry or providing jobs for the millions that are jobless.

Let us have an idea about the real shape of such an economy. World trade i.e. all international trade in commodities and services is only one fiftieth (1:50) of trade in foreign exchange. The ratio between the foreign exchange required for actual world trade and trade in foreign exchange derivatives is 1:50. Every day US\$1.3 trillion worth of foreign exchange derivatives exchange hands in international foreign exchange markets, which is 50 times more than the real physical daily trade of the world. Take another indicator: while the total Gross National Product of all the countries of the world taken together is between US\$30-32 trillion<sup>9</sup> dollars, annual turnover of derivatives is now more than US\$500 trillion. Ignoring the fact that one is a ‘flow’ and the other ‘stock’, there has to be an inherent relationship between the physical economy based on assets and the monetary economy whose real function is to facilitate the production and exchange of physical goods and services, to ensure well being of all human beings. This central focus has now been shattered. Who are the gainers in the game? Who are the major players? Few financial institutions and a handful of billionaires are making money out of it. They are not making money by increasing the flow of goods and services, and

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<sup>9</sup> 1 trillion = 1,000 billion

consequently making life better and prosperous for all human beings. They are making money by creating only more money, virtual money. Interest is playing a key role in this process. While the real arena and financial house of the bubble economy is the USA and the developed countries of the West; the whole world economy from individuals to private firms, from national economies to the global economy, are being sucked into this fiduciary whirlpool.<sup>10</sup>

Coming to the other side of this global power game, it is again submitted that while loans and debts have always been there in history, both loans to meet personal or distress situations and loans to facilitate trade and increase in production, but for the first time in human history, from national to the global economy, everything is becoming dependant on debts and financial institutions that control and manage debts. Banks and financial institutions are the global players who are creating credit, reaping its fruits, and holding others hostage in this new form of global slavery. Debt is the most potent instrument of control and interference in this modern economy. Debt slavery is the most modern version of slavery. Statistics about US may give an idea of how this system is working.

The national debt of the USA, the richest country of the world, was only \$1 billion in 1901, the first year of the twentieth century. In the last year of the 20<sup>th</sup> Century the public debt is over 4 trillion dollars. If one includes international debt (and the irony is that America is the most indebted country of the world even internationally), which is about 1.4 trillion dollars, this superpower, now the only superpower holds on its back a mountain of debt

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<sup>10</sup> For a detailed understanding of the concept of bubble economy, see Appendix III: "Debts and the Financial Bubble," on page 37

amounting to 5½ trillion dollars and that too only in the public sector. If private loans are also included, particularly house mortgages, it adds another 4-5 trillion dollars to the debt burden of the richest country in the world. But this is not America's predicament only; most of the countries of the world are in similar plight. Third World countries are the victims of a strategy of economic development based on foreign-debt. After forty years of experimenting with this debt-based strategy of economic development, there is hardly any economic development visible in their lands. It is only the mountains of debt that are breaking their backs.

When India and Pakistan attained freedom, they had outstanding balances with the colonial rulers. Huge amounts were loaned out to the British Government during the war. We were in credit and they were in the red. What is the position now? Pakistan's total external indebtedness is around 38 billion dollars. The irony is that in 1971 when Pakistan was cut into half, and had to take on the entire debt burden liability, its total debt was only 3 billion dollars. During the last 30 years the country has paid back some 30 billion dollars. But after paying back 30 billion dollars on an original loan of 3 billion dollars plus some other loans, the country still indebted to the tune of 38 billion dollars. Brazil, one of the very fast developing countries of Latin America, has paid back around 70 billion dollars in the last 29 years and they are still indebted to the tune of 200 billion dollars. The total Third World debt is now over 2 trillion dollars. Every year, Third World countries are paying back about 220 billion dollars by way of interest and amortization and yet this debt is increasing. They are forced to borrow only to pay back earlier loans, with the result that in the case of some countries, their debt servicing now exceeds their

total export earnings. There is now a net transfer of resources from the poor to the rich countries of the world. Africa has been made poorer in the last 30 years. According to some recent studies, for every net \$1 that is received in the form of new loans and aid by the Third World countries, they are paying back \$11. If this is not debt slavery, what then it should be called?

### **Has Capitalism Delivered?**

Has poverty been alleviated? Has hunger been conquered? Has human misery been reduced? We have already noted that according to the World Bank and UN studies, globally speaking, over 1 billion people are unable to have two square meals a day and are haunted by hunger and starvation and over 2 billion are living below the poverty line. Sixty per cent of the human race does not have clean water or safe shelter. Despite millions of dollars of foreign aid, the wretchedness of the dispossessed has aggravated. Do not assume that poverty is only a Third World phenomenon. Even in America, the richest country of the world, poverty is very much a reality for almost 1/8<sup>th</sup> of the population. Economic inequalities are galore. Wealth and power are concentrated in a few hands. In real terms the common man's wages in the US in the last 30 years have gone down while fortunes of stockbrokers and those dealing in bonds and stocks have improved manifold. The latest figures show that 14 per cent of the American population lives below the poverty line; and if one takes the racial component, amongst the blacks those below the poverty line are around 28 per cent.<sup>11</sup>

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<sup>11</sup> For details, see Appendix II: "Poverty in the Hands of Plenty," on page 29

California is the richest American State. In fact it comes 7<sup>th</sup> in order of the richest economies of the world, but the incidence of poverty is around 30 per cent.

In Europe, Germany is the richest and most powerful country, but even after ten years of integration Eastern regions show a degree of unemployment that is around 24 per cent.

So, the fate of the poor is not doomed only in the Third World countries. The predicament of the under privileged is almost universal, differing in quantum and degree. This is so because the dominant economic system is unjust and the prevailing paradigm is flawed. The system does not make the humans as the centerpiece and ignores the moral dimension. It is the economic dimension that dominates and makes the system out and out exploitative. Progress and prosperity are not only selective, the system is also unstable and fragile. Mankind's future is tied by thread to a big financial bubble, and more and more air is being pumped into the bubble to keep it floating. When will it burst? Nobody knows.

### **State of Economic Disparity & its Reason**

According to the *Economist*, London, the USA in 1970 had only 17 billionaires. Latest figures show that now there are 177 billionaires and their number is increasing every year. The personal wealth of the top three billionaires of the world is equal to the total Gross National Wealth of 48 developing countries. Two hundred billionaires in the world – their wealth is equal to the total wealth of 2 billion people in the world. These are economic realities. These are moral sores on the body of civilization. We are living in an unjust world. A very pertinent question is: Why has it taken place? It is

submitted that the fundamental cause relates to the distinct approach of the Western Capitalist System – its one-dimensional approach. The lesson of history is that economic problems cannot be solved merely by economic means. They can be solved only if they are part of a comprehensive and balanced approach, where inhuman, moral and political considerations are twined together.

From the days of Adam Smith<sup>12</sup> until now, broadly speaking, a major menace that has infested economics and turned it into a dismal science is the assertion that economics is value neutral. It is amoral, concerned only with means of efficient allocation and not with the ends of life and society. Efficiency in allocation of resources is important. It is essential but not sufficient. Equitable distribution is as important. Participation of all in the working of economy is equally important. Sharing the pie is as important. If the dimension of equity and justice is ignored, humanity is bound to suffer. As a corollary to this fundamental postulate of capitalism an effort was also made to reduce economics into a self-contained scientific discipline, not concerned with morality, ethics and religion. Not only was the link with morality and religion severed; even its relation with other social disciplines including politics was torn asunder. This made economics a menace, not a blessing for mankind.

With this drift towards so-called positivism, economics also became too abstract, too unreal, too divorced from reality. Moral dimension on the one hand and power relationship in society on the other provides the framework within which economic forces have to

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<sup>12</sup> 1732-90, Scottish moral philosopher and political economist

operate. Denial of these links makes economists only a tool in the hands of seekers after wealth and profit. The new fanged economics of the nineteenth and twentieth centuries tried to ignore both the ethical and the power dimensions. Why? Because that was the only way Capitalists could control and manipulate, and that is why Socialism and Communism came to challenge that thesis. Fascism also emerged as an amalgam of Capitalism and Socialism. Both challenged the assumption of state neutrality. But Socialism and Fascism instead of ameliorating the plight of humans further aggravated it. They treated man as an agent of the economic and political factors only. They failed to diagnose the real malady. They were as one-dimensional as Capitalism, although with a difference.

### **Globalization: Some Reflections**

This is the predicament of mankind today. Despite political freedom and independence of the Third World countries they have been enslaved afresh, through economic and financial mechanisms and political maneuverings. All the world decision-making organs are in the hands of the Western powers. Those who claim to stand for democracy have no heart to see democracy in the major world institutions. Look to the United Nations. The General Assembly, with 191 independent countries, has no role in real decision making. The Security Council is hostage to the five countries with veto powers and each of them can block any decision. With regard to nuclear technology, while Nuclear non-proliferation Treaty (NPT) laid down the principle that nuclear technology would be shared for peaceful purposes with all the countries of the world, it was never implemented. The idea was to have a permanent monopoly on it because nuclear power could act as a deterrent even in the hands of smaller countries.

The World Bank, IMF, World Trade Organization, International Court of Justice, look into any of these institutions and they are controlled, managed, and manipulated by the rich countries of the world. They call the shots and the other 170 odd countries of the world do not count. Is this justice? Is this democracy?

What is globalization? International trade between all corners of the globe has been taking place for centuries. The story of Prophet Noah (blessings of Allah be upon him) and the historic Flood is part of the religious and cultural traditions of people in all parts of the world, even though in respect of some it has become an aspect of mythology. The movement of people and the sharing of their experiences is the first major instrument of globalization. Trade, migration and conquest have been the historic routes towards globalization from time immemorial. Free trade became the doctrine of the Capitalist world in the wake of the industrial revolution. Then, what is new about liberation and globalization that the West is clamoring about? In a word it is pax-Americana. Globalization now means economic, political and cultural hegemony of the dominant powers. Governments, multi-national corporations and NGOs are the new over-lords. There are five hundred major multinational corporations, which control 70 per cent of the total world trade. Of course, they also control research, technology, innovation, information and what not. Almost 97 per cent of the world research, technology and innovation is in the hands of the Western countries including Japan. The Third World's share is only 3 per cent.

This reveals a very disturbing situation. Millions of people die prematurely because of tuberculosis, malaria, measles, tetanus, whooping cough and AIDS.



All, but a few thousand, do not get proper treatment in the poor world. Indeed AIDS alone kills more people in Africa than other major diseases including cancer. Research by pharmaceutical companies is concentrated on the diseases of the rich. Prices charged for medicines required to combat diseases in the poor countries are so exorbitant that they are outside the reach of the bulk of the suffering humanity. Equity and human well being are sacrificed at the altar of the interests of the rich and the powerful. The gap between rich and poor countries is ever widening especially between the very rich and the very poor. The same is the case of the gap between rich regions and poor regions and rich people and poor people within each country.

One of the most glaring examples of inhumanity is the role of the pharmaceutical industry. These multinational corporations are not prepared to undertake research and develop vaccines and medicines, which could provide cheap and effective health care to the teeming millions in the Third World countries. It is a game of profit, not of humanity or service. It is very intriguing that no effort is being made to promote preventive care, which is much cheaper and inexpensive. Some of the diseases that kill the poor can be checked only if there is enough preventative care, including change of habits. Studies have scientifically shown what we have always known culturally and intuitively that no single change would save more lives than if people routinely washed their hands before touching food and clean their mouth after having that. They need to filter their drink, feed babies hygienically, use mosquito nets, avoid alcoholic drinks and drunken driving, and to practice sex within the framework of marriage and

morality. That can save humanity from some 90 per cent of health disasters.

Just reflect for a moment, the solution is not merely more vaccine or more medicine but to begin with it is the adoption of simple health care principles which Islam and all religions have taught. We, the Muslims have learnt that as part of our personal hygiene, our everyday manners, moral and mores. Washing hands is Sunnah of the Prophet (pbuh). Eating simple food, eating less than your hunger, breast-feeding are part of our culture. Alcohol and other intoxicants are forbidden in Islam. The West encourages drinking but is worried about drunken driving! They are afraid of death on the roads but drunkards can rule countries, can command armies and play with the fate of humanity. Islam strikes at the root. What is safe sex? Sex in married life. I am not trying to simplify it, but the fact is that these things are the real answer, not the glamorous lifestyle of a decadent culture that blinds humans to realities, and debases them by glamorizing sex and surrendering reason to passion.

#### **The Core Issue & its Redressal**

That being the point of departure, it is submitted that the real problems that humanity faces today relate to the basics of moral and human situation. A Western philosopher has very beautifully put it when he says, “that we have learned to fly in the skies like the birds, and to swim in the oceans like the fishes but we have not learned to live on poor earth as good human beings”. That is the real issue. What is a human being? A human being is a composite of soul and body. The moment the soul comes out of the body we are a carcass, which begins to smell and stink. Its only disposal is burial in the earth. The flaw is in the very approach of the West to human life and destiny. Secular civilizational paradigm is at the root of

all the problems of our age. Whether it is economics, social disciplines, or political order, all are concerned with the physical aspects only, as if the soul does not exist. As if spirit has no existence. As if nothing exists beyond this physical dimension. Ethics and morality give way to expediency and vested interests. Need is sacrificed at the alter of greed. Religion is rejected as irrelevant. Competition takes over compassion. Piety is eclipsed by profit. Freedom drives towards anarchy. All this because of one fatal error: Forgetting the Creator and consequent split between material and moral, between physical and spiritual.

To be human, one has to recognize his God, his Creator, his Master. If man is living by severing his relationship with his Creator, then whatever be the extent of material affluence or scientific innovation and technological development, the end result is bound to be disastrous. It is not just a matter of expression or language. The 20<sup>th</sup> Century has been the century of mass destruction of human beings. As stated earlier, if you consider all the world wars known to history over several thousand years taken together, then the human toll only in the 20<sup>th</sup> Century was more than that. And in wars, mass destruction alone is not the main form of human suffering. Poverty, hunger, disease, vandalism, violence, crime, genocide, class warfare, racial discrimination, gender exploitation, ethnic cleansing – name them and they are there in full measure. And I humbly submit that it could not have been otherwise. If one does not look towards his life and problems in the perspective of the Divine Guidance, and from the moral dimensions of life, ignoring the organic reality of the body-soul integration, the results cannot be different. The Qur'an makes it very clear that departure from the Right Path produces

disruption, corruption and repression in the lands and seas.<sup>13</sup> And that it is only through Allah's remembrance that hearts attain contentment.

“Verily it is only in the remembrance of God that the heart attains contentment.”<sup>14</sup>

Islam's response to these challenges is very simple and very direct. It wants to make all humans into better human beings. It is only by adopting a human and moral approach that man's problems, political, social, economic, national, international can be solved. That is the key. Islam has given comprehensive guidance in respect of all dimensions of life including economics. The movement for Islamic Economics is a part of a total human effort towards Islamization of life and culture. Islamic economics cannot be seen in isolation. It is the heart that needs to be taken care of. It is the motives that have to be influenced and purified. It is the objectives of life that have to be recast. Then only will one seek human fulfillment, not merely by making skyscrapers but by alleviating human misery and ensuring that along with one's own well being, the well being of others, in fact of all human beings and the human habitat take place. It has to be realized that we all belong to one human family in which we have to share. We have no right to aggrandize wealth and power by cutting others' throats. We all can prosper if we learn to live with each other and for each other. This is the real transition that Islam wants us to seek. This represents a major stage in the moral evolution of man – in man's rendezvous with destiny.

Islam achieves this objective by making all economic efforts take place within a moral framework.

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<sup>13</sup> *al-Qur'an*: 30:41

<sup>14</sup> *al-Qur'an*: 13:28

This is done by establishing a just socio-economic order. Compassion, brotherhood and sharing are its motivating and cementing forces. But Islam does not believe merely in charity, which is a very limited concept. In Islam, giving others their due is a right, not simply an optional virtue. With regard to Zakah, the Qur'an says that Zakah is a *haq* i.e. a right of the poor on the wealth of the rich.

“And in their wealth and possessions is the right of the needy,(the one who may ask), and for those who suffer deprivation (and might not even ask)”<sup>15</sup>

Ignoring the rights of orphans is regarded by Allah as equivalent to the denial of the very din, the shari'ah and the Day of Judgement. The Qur'an says:

“Have you seen him who denies the din (i.e. all moral law and the Day of Judgement)? He is the one who repulses the orphan and urges not the feeding of the needy”<sup>16</sup>

The message is very significant. What constitutes denial of din, i.e. the moral law, the code of Islamic life, and the Day of Judgement, is not confined to refusal to subscribe to the faith. Actions, which involve denial of rights of others under the Divine Law, have the same consequence. This is the beauty of the Qur'anic approach. See how the moral and the material are integrated. The Qur'an says.

“O you who believe! When the call is proclaimed for the Salat on the day of Friday, come to the remembrance of Allah and leave off business, that is better for you if you did but know! And when the prayer is completed, disperse in God's land

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<sup>15</sup> *al-Qur'an*: 51:19

<sup>16</sup> *al-Qur'an*: 107:1-3

and seek His bounty (i.e. fruits of economic effort) yet remember Allah profusely so that you may prosper.”<sup>17</sup>

So, Allah’s *zikr* and economic effort go together. Life is one integrated whole. Moral and material are two sides of the same coin. When they go hand in hand, they are a blessing. When that link is not there, material wealth can become a monster. Today’s economic problems are there because that link has been severed with the result that we have made a monster out of economics. Yet the monster is not uncontrollable. We can tame it and make it subservient to the moral and the human, if we once again bring it into the framework of Allah’s *zikr*. Then economic power and affluence can become a blessing. Islam has not stopped at guiding man at this morally motivated and human well-being centered approach. The shari‘ah has provided essential guidelines for man’s economic and collective life as well as personal ethics.

Of course, Islam has given detailed guidance, clearly spelling out what is permissible and what is forbidden about property rights, about economic efforts, about how to fight poverty, about social security, about elimination of *Riba*, about business ethics, about distributive justice, about the economic role of the state. All of this is there. It is not possible to give all the details in this short presentation. These are part of our literature. My effort is to concentrate upon the core issue. Details can be worked out and have been amply articulated by the *ulama* and Islamic economists, particularly in the last three decades. This has been done in a language that can

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<sup>17</sup> *al-Qur’an*: 62:9

be easily understood by economic practitioners of our time.

The message that is to be conveyed is to rediscover the link between the moral and the economic, the spiritual and the material. The unique ethos of Islamic economics is characterized by this integrated and holistic approach. Right of property is a central issue in all economic systems. The uniqueness of the Islamic approach lies in laying down that one who owns, controls or manages property is a trustee and not sovereign owner or its master. All our belongings are with us as a trust and as trustees, we have a right to use them but to do so within the moral framework laid down for us. Our position in this world as Muslims is that of God's deputies and vicegerents (*khulafa*). *Istikhlaaf* is our real status and mission. *Khalifa* is one who lives and strives in accordance with the guidance and value framework which Allah and His Prophet (pbuh) have given. This is what *Istikhlaaf* means. It is a very positive concept to make the world in the light of the Divine Guidance. It cannot brook any form of renunciation, abdicating or renouncing of life. It is a positive concept, grooming men and women to face the challenges of life and history. We have to strive for the achievement of a noble mission. It is a calling to build the world, to create history that moves us towards the fulfillment of the prophetic mission. The Muslim *ummah* can never even think to withdraw or be despondent. Our obligation is to strive and to be always hopeful. Allah says:

“You are indeed the best community which has ever been brought forth for the good of mankind: you enjoin the doing of what is right and forbid

the doing of what is wrong and you believe in God.”<sup>18</sup>

The great event in the life of the Prophet (pbuh), known as *‘Isra and Mi‘raj’*<sup>19</sup> must have been in the knowledge of all. On that occasion, just a year before the historic *hijrah* to Madina, the Prophet (pbuh) was taken by Gabriel from Makkah to Al-Quds and then to the high heavens. In this ascension, the Prophet (pbuh), reached so close to Allah *Subhanahu wa Ta‘ala*, that even Gabriel had to part ways at a stage. A great mystic of India, Hazrat Abdul Quddus Gangohwi while reflecting on this event says, that:

“Muhammad (pbuh) was a strange man, after reaching that close to Allah he came back. Had I been there, I would have never come back.”

Alama Muhammad Iqbal<sup>20</sup> invites us to reflect upon it. The great mystic represents the limited approach to religion: seeking personal salvation. What would be a higher glorification and state of illumination for a slave of Allah to be that close to Allah, the Master. For him this is fulfillment. Nothing to go beyond. Not for Prophet

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<sup>18</sup> *al-Qur‘an*: 3:110

<sup>19</sup> *Isra* is an Arabic word used for ‘journey by the night.’ It specifically connotes ‘dream’ – a spiritual sojourn. But the word’s other ramification of journey of the physical being along with the spiritual is also accepted. *Mi‘raj* on the other hand, is ‘ascension’ or a ‘climb upward.’ The 17<sup>th</sup> sura *Bani Israil* of Qur‘an opens with the mystic vision of Ascension of the Holy Prophet (pbuh): he was transported from the Sacred Mosque (of Mecca) to the Farthest Mosque (of Jerusalem) in a night and shown some of the Signs of God. The incident is firmly established by Hadith literature that gives details of this journey and elucidates its mystic meaning. The *Mi‘raj* is usually dated to the 27<sup>th</sup> night of the month of Rajab (though other dates, e.g., 17<sup>th</sup> of Rabi al-awal are also given) in the year before the Hijra.

<sup>20</sup> 1875-1938, great thinker, philosopher, poet and formulator of political theory of Pakistan as a separate Muslim state



Muhammad (pbuh). The uniqueness of the Prophet (pbuh), lies in the fact that after reaching that close to Allah and seeking illumination from the Lord, he comes back to the world so as to illuminate the world, to produce a new man, a new society, a new history, a new civilization – that is Islam! That is the prophetic approach to life and society. That is the Islamic calling! And it calls us to a challenging and uphill task.

There are people who are scared of the challenge. The submission in this context is that one should neither be unrealistic nor in any way despondent. Those who believe in Allah cannot be despondent.

“Oh you servants of Mine who have transgressed against your own selves! Despair not of God’s mercy: behold Allah forgives all sins.”<sup>21</sup>

We have to have hope. There is light at the end of the tunnel. Allah has promised success if we discharge our duties diligently and sincerely. We have to fulfil our part by being *Mumin* and then things will change. They will not change without effort and sacrifice, without struggle, without *Jihad*. But they are destined to change. If we strive and fulfil our duty and seek Allah’s guidance and help, things will change.

Those who are overwhelmed by the apparent economic and military power of the dominant civilization, they should look into history to see how great powers of the past have ended up in the dustbins of history. There had been dominant powers in every age. Yet history is a graveyard of 36 world powers and great civilizations whose story has been recorded. In our own times, we have seen the fate of the Great Britain, which once ruled

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<sup>21</sup> *al-Qur’an*: 39:53

over more than 1/4<sup>th</sup> of the world. America was a British colony only two centuries back. King George III was the supreme ruler of what was to become a superpower at the end of the 20<sup>th</sup> century. The British were so proud of their world dominance, so arrogant of their position, that they coined new idioms in the English language like, 'Britannia rules the waves', and that 'The sun never sets in the British Empire.' But where is that Britain of the 19<sup>th</sup> and early 20<sup>th</sup> century. Britannia had to waive the rule and now there are days and even weeks, when the sun never rises in what has been left of the British Empire!

America was a colony until the mid 18<sup>th</sup> century, then it emerged as a regional power. And now the only superpower, or call it hyper power. But what about Soviet Russia? Most of us have seen the power and the glamour of Russia as a superpower. Need I remind you that Russia's powerful Secretary General Khrushchev, was so arrogant in his claim to bury Capitalism that in the UN General Assembly, he put his foot on the desk. But where is that Soviet Union? Even that name does not exist. East Europe and Central Asia have become free. The Soviet Empire has disintegrated. It is now begging for loans to meet its earlier commitments. This is how days and nights change, not for humans only but also for super powers. America, at the end of the Second World War in 1945, controlled 50 per cent of the total world wealth, but now it controls around 24 per cent of the world GDP. This great power could not fight and succeed in Vietnam. Despite superior technology, once the American casualties passed a certain limit (50,000), the superpower had to retreat. They could not fight in Lebanon, where 287 marines were killed in one guerilla attack and the US President called for unilateral withdrawal. They could not fight in Somalia where only 30 US soldiers had died. If a

nation is not prepared to die for its ideals, only economic wealth or technological superiority will not keep it as a superpower forever. So why be despondent? We are weak today, this is a fact. We should not gloss over realities. But history tells us that the weak of today can be the strong of tomorrow, and the powerful of today could be thrown in the dustbin of history the day after, provided, and this is important, provided that we do what is required of us. We were strong yesterday. But we did not do our duty and fell off. We are beginning to rise again. But this process can culminate in glory and power, only if we follow Allah's laws. This lesson is very clear. Allah says:

“By the token of time, verily Man is in loss, except those who believe and do righteous good deeds, and who commend one another to the truth, and recommend one another to patience.”<sup>22</sup>

This is a Divine commitment. This provides us with an agenda for progress and salvation. Faith, righteous behavior and a life of struggles commending righteous deeds to one another and supporting one another with patience and perseverance. This is the path to success. We may see the light of glory with our own eyes if we follow this path. Things are bound to change. While struggle in the path of truth and virtue is its own prize, but Allah has also promised that we shall succeed only if we are true to our faith.

“Be not, then faint of heart, and grieve not, for you are bound to succeed if you are truly believers.”<sup>23</sup>

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<sup>22</sup> *al-Qur'an*: 103:1-3

<sup>23</sup> *al-Qur'an*: 3:139

While one's eyes should always be on the real reward in the life to come (*Akhira*) there is every hope Muslims shall rise high and Allah's will shall prevail in the world, if Muslims are prepared to do the needful. If Muslims are committed to do that, things will change and bear fruits in their lifetime and beyond, *insha'Allah*. Muslims are assured of success here and salvation in the hereafter. Allah's Sunnah and Muslims own history are witness that results do appear and things do change, provided a people make ceaseless effort! Present is struggle, future is Islam – *insha'Allah*.

## THIRD WORLD'S/MUSLIM WORLD'S JOURNEY FROM EQUALITY TO IMPOVERISHMENT

I. Excerpts from “Islamic Finance and Banking: The Challenge and Prospects”, *Review of Islamic Economics*, Khurshid Ahmad, Leicester, UK, No.9, 2000, pp. 57-58

“Muslims constituted the bulk of what now goes as the Third World. The position of this Third World in the 18th century vis-à-vis the West was in no way inferior. They lost the game in the following centuries of industrialization and Western imperialism. But the relative share of the Third World in world manufacturing output at the advent of the 19th century was three times higher than that of Europe and the per capita level of industrialization was comparable till 1800. The economies of the Muslim countries were, by and large, supported by a financial system that was not tainted with riba. Paul Kennedy gives a snapshot view of the world from 1750 to 1900.

**Table 1 – Relative Shares of World Manufacturing Output**

Region/ Country	Years				
	1750	1800	1830	1860	1900
Europe	23.2	28.1	34.2	53.2	62.0
(Russia)	(5.0)	(5.6)	(5.6)	(7.0)	(8.8)
(U.K.)	(1.9)	(4.3)	(9.5)	(19.9)	(18.5)
USA	0.1	0.8	2.4	7.2	23.6
Third World	73.0	67.7	60.5	36.6	11.0
(India/Pakistan)	(24.5)	(19.7)	(17.6)	(8.6)	(1.7)

**Table 2 – Per Capita Levels of Industrialization (1750-1900)  
(Relative to UK in 1900 = 100)**

Region/ Country	Years				
	1750	1800	1830	1860	1900
Europe	8	8	11	16	35
(Russia)	(6)	(6)	(7)	(8)	(15)
(U.K.)	(10)	(16)	(25)	(64)	(100)
USA	4	9	14	21	69
Third World	7	6	6	4	2
(India/Pakistan)	(7)	(6)	(6)	(3)	(1)

The scenario materially changed in the following two centuries of Western domination. In 1800, Europe occupied or controlled 35 percent of the land surface of the world. In 1878, its control extended to 67 percent of the world, and in 1914 it reached the high water mark of 84 percent. A new economic system was imposed on the world, an offspring of the marriage between capitalism and imperialism.”

**II. Excerpts from *Poverty from the Wealth of Nations*, M. Shahid Alam, Macmillan Press, London, 2000**

M. Shahid Alam is Professor of Economics, Northeastern University, Boston, USA. He has given a wealth of material on the comparative position of key players in the world economy between 1760 and 1992. A few excerpts from Chapter 2 of the above-named publication:

“A review of the literature on historical comparisons of per capita income suggests that around 1760 disparities between now advanced and lagging countries were quite small and, once polar cases are excluded, probably non-existent.”

The first complete set of historical comparisons of per capita income between now advanced and lagging countries, based on purchasing power parity conversions, was provided by Bairoch (1981). At the aggregate level, his estimates give

the palm to lagging countries, reversing by a slight margin the Kuznets-Zimmerman-Landes position on historical disparities. In 1750, the 'developed' countries had a per capita income of \$182, compared to \$188 in the Third World, both expressed in 1960 US dollars and prices.<sup>11</sup> Western Europe, with a per capita income of \$190, was barely ahead of the Third World, while the Third World had a slim lead of 1.14 over Eastern Europe. Only the 'most developed' countries, with a per capita income of \$230, had a small but clear lead of 1.22 over the Third World, 1.27 over Asian market economies, and 1.10 over China; and a larger lead of 1.77 over Africa.<sup>12</sup> Only Latin America had a slight lead of 1.07 over the 'most developed' countries. Thus, if we exclude the 'most developed' countries and Africa from the comparisons, the lagging countries had a modest lead over the 'developed countries'. These results did not find favor with Maddison (1983: 29), who presented alternative estimates which he claims are 'much closer too the Landes-Kuznets conclusion than those of Bairoch's'.<sup>13</sup> However, this assessment is not supported by his own results. Maddison (1983: 30) shows that in

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<sup>11</sup> The 'developed' category includes United States, Canada, Australia, New Zealand, South Africa and Europe; the Third World includes all other countries.

<sup>12</sup> The 'most developed' category includes Britain, France, Netherlands and United States.

<sup>13</sup> We focus on Maddison (1983) rather than his later contributions (Maddison 1989, 1995), because it makes benchmark comparisons that are based on output indicators, unlike Bairoch (1981) and Maddison (1995) who use expenditure categories. The International comparison Project (ICP) also employs expenditure categories. The first ICP estimates are available in Kravis, Kenessey, Heston and Summers (1975). Many revised versions of ICP estimates have since appeared.

1760 Britain and France had a per capita income of \$233 and \$1.98 at 1965 US factor cost, while India, China, Mexico and Brazil had a per capita income of \$123, \$118, \$112 and \$97.<sup>14</sup> It follows that in 1760 Britain had a lead of 1.89 over India, 1.97 over China, 2.08 over Mexico, and 2.40 over Brazil. France had a small lead, at 1.61 over India, 1.68 over China, 1.77 over Mexico, and 2.04 over Brazil. If we assume that India's per capita income declined by a third between 1760 and 1820, then UK's lead in 1760 reduces to 1.42, while France is only modestly ahead with a margin of 1.21. It is a stretch to claim that these results are closer to Kuznets' (1954: 145), who concluded that per capita incomes in developed countries before the Industrial Revolution were 'several times that of most underdeveloped countries today (*italics added*)'. On the other hand, Bairoch's (1981: 8) estimates yield a gap of 1.22 between his 'most developed' countries and the Third World. Maddison is nearer to Bairoch than he is to Kuznets!

(p. 28)

“In his most recent historical comparisons of per capita income, Maddison (1995) abandons the production approach used in his earlier paper in favor of comparisons based on expenditure categories.<sup>22</sup> These estimates give Britain a lead of

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<sup>14</sup> We are assuming that per capita incomes in the latter countries remained unchanged between 1760 and 1820. Maddison (1983) does not provide data for 1760 for the lagging countries.

<sup>22</sup> Maddison (1995) was preceded by Maddison (1989). We chose to focus on the former because it covers a larger number of countries and the estimates often go back to 1820.



1.73 over Mexico, 1.86 over Japan, 1.96 over Brazil, 2.14 over Indonesia, 1.86 over India and Bangladesh, and 2.51 over China. France has a smaller advantage of 1.25 over Mexico, 1.35 over India and 1.82 over China.<sup>23</sup> These disparities are only modestly below those in Maddison (1983); the gap of China is wider. This is at first surprising since the correction coefficients employed in the new estimates are larger than before. But this is nearly offset by use of lower growth rates in the backward projections for Britain and France. The average annual growth rates in Maddison (1983: 30) for Britain and France between 1820 and 1980 are 1.31 and 1.62 percent; these are replaced by 1.24 percent and 1.57 percent in Maddison (1995: 194-197). Had Maddison (1995) used his earlier growth rates, this would reduce Britain's lead over India from 1.86 to 1.66, and France's lead over India would be pared down from 1.35 to 1.25.

(p. 31)

“Crafts’ (1984) historical comparisons are easily extended to the lagging countries in his benchmark comparisons, yielding results similar to Bairoch’s. When combined with growth rates from Maddison (1995: 24) Craft’s benchmark comparisons yield per capita incomes in 1820 of \$250 for Brazil, \$260 for Mexico, \$241 for

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<sup>23</sup> Maddison’s (1995) comparisons start from 1820. The per capita incomes for 1760 are derived under the following assumptions: the backward projections for Britain and France used growth rates from Maddison (1983); a 25 percent decline in the per capita income of India and Bangladesh between 1760 and 1820; no change in per capita incomes for the other lagging countries between 1760 and 1820.

Pakistan and \$172 for Bangladesh, all in 1970 US dollars and prices; compare this to British per capita income of \$399 in 1760 and \$333 in 1700.<sup>29</sup> On the assumption that per capita income in the lagging countries remained unchanged between 1760 and 1820, Britain has a lead of 1.53 over Mexico, 1.60 over Brazil, 1.66 over Pakistan and 2.30 over Bangladesh. The per capita income for Bangladesh in 1820 is implausibly low. According to Bayly (1988: 51), Bengal was ‘almost certainly the wealthiest province of Mughal India’ and proved ‘an extraordinary prize’ for the British. Assuming, as we did for India, that per capita income declined by a fourth between 1760 and 1820, this would give a 1760 per capita income of \$229 in Bangladesh, reducing Britain’s lead in 1760 to 1.74.<sup>30</sup> With a per capita income of \$294 in 1781-90, France had a much narrower lead over these countries.<sup>31</sup>

To sum up, historical comparisons of disparities in per capita income have produced two classes of estimates. All the earlier estimates, based on exchange rate conversions, record per capita incomes in now advanced countries around 1760 that were three to six times greater than in lagging countries (not including Sub-Saharan Africa).

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<sup>29</sup> Crafts (1984: 440)

<sup>30</sup> If a correction of one third is warranted for India, a larger correction would be appropriate for Bengal (which included Bangladesh) which came under British rule in 1757 and suffered the worst excesses of a system of dual extortion practiced by the British East India company and its employees in their private capacity.

<sup>31</sup> Crafts (1984: 440) assigns a per capita income of \$343 to France in 1830. Using growth rates from Toutain (1987: 76), this yields a per capita income of \$294 for France in 1781-90. Cited in Bairoch (1991: 26).

Comparisons based on purchasing power parity conversions reveal much smaller early disparities. Around 1760, the gap between the first cohort of advanced countries (Britain, USA and France) and the lagging countries (not including Sub-Saharan Africa) were nearly always less than two to one. Most likely, these gaps were smaller for several important lagging countries, such as India, Pakistan, Bangladesh and China, if we recognize, with Bairoch (1981), that they suffered a decline in per capita income between 1750 and 1900. Significantly, the income gaps between the now advanced countries around 1760 were as large, and sometimes larger.”

(p. 31-32)

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## POVERTY IN THE LAND OF PLENTY

### I. Poverty in Land of Plenty

**Table 4.1: Poverty Status of Families & Persons in the US by Race •**  
(Selected Years)

Year	No (m)	Median Income \$ 1988	Below Poverty level				Persons Below Poverty Level	
			Total		Female HOH		No (m)	Rate
All RACES								
1970	52.2	30.084	5.3	10.1	2.0	32.5	25.4	12.6
1975	56.2	30.166	5.5	9.7	2.4	32.5	25.9	12.3
1979 <sup>1</sup>	59.6	31.917	5.5	9.2	2.6	30.4	26.1	11.7
1983 <sup>2</sup>	62.0	29.307	7.6	12.3	3.6	36.0	35.3	15.2
1988	65.8	32.191	6.9	10.4	3.6	33.5	31.9	13.1
WHITE								
1970	46.5	31.209	3.7	8.0	1.1	25.0	17.5	9.9
1975	49.9	31.374	3.8	7.7	1.4	25.9	17.8	9.7
1979 <sup>1</sup>	52.2	33.305	3.6	6.9	1.4	22.3	17.2	9.0
1983 <sup>2</sup>	53.9	30.688	5.2	9.7	1.9	28.3	24.0	12.1
1988	56.5	33.915	4.5	7.9	1.9	26.5	20.8	10.1
BLACK								
1970	4.9	19.144	1.5	29.5	0.8	54.3	7.5	33.5
1975	5.6	19.304	1.5	27.1	1.0	50.1	7.5	31.3
1979 <sup>1</sup>	6.2	18.860	1.7	27.8	1.2	49.4	8.1	31.0

• Source: *The New Unemployed: Jobless and Poverty in the Market Economy*, Frank Gaffikin and Mike Morrissey, Zed Books, London & New Jersey, 1992, p. 71

1983 <sup>2</sup>	6.7	17.295	2.2	32.3	1.5	53.7	9.9	35.7
1988	7.4	19.329	2.1	28.2	1.6	49.0	9.4	31.6

Notes: <sup>1</sup> Based on 1980 census population controls: comparable with succeeding years

<sup>2</sup> Bases on revised methodology: comparable with succeeding years

Source: Department of Commerce, Bureau of the Census, various years

**Table 3.3: US Unemployment Rates (percentages)**  
(Selected Years, 1950-90)•

Years	Civilian Workforce	Males	Females	Black <sup>1</sup>	White
1950	5.3	5.1	5.7	9.0	4.9
1952	3.0	2.8	3.6	5.4	2.8
1954	5.5	5.3	6.0	9.9	5.0
1956	4.1	3.8	4.8	8.3	3.6
1958	6.8	6.8	6.8	12.6	6.1
1960	5.5	5.4	5.9	10.2	5.0
1962	5.5	5.2	6.2	10.9	4.9
1964	5.2	4.6	6.2	9.6	4.6
1966	3.8	3.2	4.8	7.3	3.4
1968	3.6	2.9	4.8	6.7	3.2
1970	4.9	4.4	5.9	8.2	4.5
1972	5.6	5.0	6.6	10.4	5.1
1974	5.6	4.9	6.7	10.5	5.0
1976	7.7	7.1	8.6	14.0	7.0
1978	6.1	5.3	7.2	12.8	5.2
1980	7.1	6.9	7.4	14.3	6.3
1982	9.7	9.9	9.4	18.9	8.6
1984	7.5	7.4	7.6	15.9	6.5
1986	7.0	6.9	7.1	14.5	6.0
1988	5.5	5.5	5.6	11.7	4.7
1990	5.5	5.6	5.4	11.3	4.7

Notes: <sup>1</sup> Figures for blacks refer to blacks & other ethnic groups up until 1970

Source: Bureau of Labor Statistics (1991), Department of Labor

• Source: *ibid.*, p. 61

**Table 5.1: Unemployment, Long-term Unemployment within Community (1975-85) \***

	1975		1985	
	Unemployed %	Long-term %	Unemployed %	Long-term %
Belgium	3.2	29.7	11.3	68.2
Denmark	6.8	9.4	7.8	32.0
W. Germany	2.9	11.8	6.9	46.9
France	3.3	16.3	10.3	34.8
Ireland	9.6	19.1	18.0	62.2
Italy	3.3	33.8	9.2	63.6
L'bourg	0.6	-	3.0	36.8
N'lands	3.2	18.6	10.5	56.4
UK	4.6	14.8	11.5	48.7
EUR 9	3.7	18.4	9.6	48.5

Notes: The unemployment percentages are standardized rates taken from Labor Force Surveys. The long-term unemployment percentages represent the proportion of all the unemployed out of work for one year or more.

Source: Final Report on the Second European Poverty Program, European Commission, 1991, tables A15 and A16

## II. Poverty and Inequality in the United States of America \*\*

“The distribution of wealth in the United States today is terribly unequal. The richest Americans, the top 1 percent, own almost half of the financial assets in our country. The affluent members of the upper middle class who make up the next 9 percent of the population own slightly more than one third of the wealth. That leaves only about one sixth to be divided among everyone else. A rich

\* Source: *ibid.*, p. 99

\*\* Source: *Sharing the Pie: A Citizen's Guide to Wealth and Power in America*, Steve Brouwer, Henry Holt and Co., New York, 1998

person, on average, has about 230 times more wealth than a member of the huge majority of Americans, the 90 percent who own very little at all. The pie is divided up like this.

<b>Ownership of Financial Assets</b>	
The Very Rich (1% of the population)	46%
The Affluent (the next 9%)	36%
The Rest of Us (90% of Americans)	18%

The only momentous economic growth in the United States in the mid-1990s was in the stock market, which was fed by a long-term speculative binge that primarily benefited very rich investors, Wall Street traders, and the largest businesses. The profits of giant corporations jumped 58 percent from 1992 to 1997, but this increase was not accompanied by any gains in wages and salaries for ordinary workers. The number of decently paying corporate jobs was on the decline, even at the middle-management levels.”

(pp. 11-12)

“There is a third way of looking at accumulated wealth that reveals even greater inequality. When we focus on the ownership of our economic system itself – the stocks and bonds of corporations, the privately held business assets, and the large trust funds and investment profits that are arranged by banks – we find that total control is in the hands of the richest 1 percent.

<b>Corporate and Business Assets Owned</b>				
	Business Assets	Stocks	Bonds	Trusts
The Richest (1%)	61.6%	49.6	62.4	52.9
The Next 9%	29.5%	36.7	28.9	35.1
Rest of Us (90%)	8.9%	13.6	8.7	12.0

This kind of wealth, which gives real economic power to a tiny fraction of our population, also reveals the truly undemocratic side of our society. Some scholars who carefully follow the patterns of ownership and financial control have found that the real wealth that translates into social and political power is held by a fraction of the very rich. In 1978 Maurice Zeitlin identified a group of 55,400 households, just 1/20<sup>th</sup> of 1 percent of all corporate stock, 66 percent of all state and local bonds, and 40 percent of all other bonds and notes. In the mid-1980s economist Lester Thurow reviewed the survey data for the richest four hundred individuals in the United States and eighty-two additional family groups who held extraordinary wealth. He estimated that through their ties to corporate ownership this tiny band of people had direct and indirect control over business assets amounting to more than \$2 trillion, or ‘40% of all fixed non-residential capital in the United States’. With this kind of wealth, said Thurow, “it is hard to maintain the equality of influence that is the backbone of democracy.”

G. William Domhoff has argued convincingly that there is a core of wealthy people ‘who rule America,’ that they form a true upper class from which a minority gravitates towards



prominent positions in business and government. But this class is not stagnant. New people are always moving up to join the ranks of the very rich; occasionally an aggressive millionaire financier or entrepreneur attains billionaire status. Within the elite ranks are the people who manage the big corporations, those who hold high positions in the banks and law firms that simultaneously serve Wall Street and Washington, and those passively rich families who collect the dividends from the largest personal fortunes. All in all, these families not only control the majority of corporate wealth, but they also self-consciously nurture upper-class tastes and elite private education, as well as the next generation of financiers and presidential cabinet members.

(p.13)

#### **“What about the Lower Classes?”**

It is true that the poor will always be with us, then it is also true that societies can radically reduce poverty. Other nations have many fewer people living in poverty than the United States; according to one study of the early 1990s, the contrast in the percentage of children living in poverty was particularly stark:

United States	21.5%
Great Britain	9.9%
Germany	6.8%
France	6.5%
Belgium	3.8%
Sweden	2.7%

An even more important comparison involves what countries do once they take notice of their poor citizens. When countries invest heavily in counteracting the effects of poverty, it becomes possible for people to escape the condition more quickly. A study that followed the experience of poor families with children over a period of three years showed that the transition rate out of poverty can be very fast.

	%age of families with children poor for one year	%age of families in poverty for three years
Germany	4.8%	1.5%
Netherlands	2.7%	0.4%
France	4.0%	1.6%
U.S.	20.0%	14.4%

(p. 145)

“The analysis of Edward N. Wolff, professor of economics at New York University and the editor of the *Review of Income and Wealth*, demonstrated that the richest 1 percent gained control of 5.4 percent of the nation’s financial assets in just six years, from 1983 to 1989; this transfer of wealth was worth approximately \$2.5 trillion. This sudden shift was especially unsettling because it came at the expense of the bottom 90 percent of the population. Particularly hard-hit, according to Wolff, were the poorest 40 percent of Americans more than 100 million people – who suffered ‘an absolute decline in their average wealth holdings.’ They lost about \$300 billion in assets, which meant their already meager net worth was rapidly approaching zero.

The richest 1 percent of Americans pigged out throughout the 1980s, accumulating 61.6

percent of all wealth created in that period. After a deep recession followed by very slow growth from 1989 to 1995, the U.S. economy began to grow again, but at a modest rate. Wealth was once again created in ways that benefited the rich, most spectacularly in the huge run-up in stock prices between the middle of 1994 and the middle of 1997. Since the richest 1 percent of Americans owned nearly half of the stock, they only had to sit back and watch the market. The overall value of publicly traded stocks increased from approximately \$3 trillion in 1988 to \$5 trillion in 1992 to well over \$10 trillion in 1997.

One way to exemplify the astounding multiplication of the biggest fortunes is to look at the annual incomes they can generate. Andrew Hacker, in his book *Money: Who Has How Much and Why*, examined the people who reported incomes of over \$1 million per year to the IRS. Their number, even after adjusting for inflation, had increased dramatically in fifteen years, from 13,505 in 1979 to 68,064 in 1994.

The degree of inequality in the United States is now so extreme that we have returned to the ignominious levels of the 1920s.

<b>Percentage of Wealth (Total Net Worth) held by the top 1% Americans</b>					
1929	1949	1969	1979	1989	1995
44.2%	27.1%	31.1%	20.5%	35.7%	40%

(p. 16)

### III. Disparity: The Global Scenario •

Despite an apparent increase in global growth and steadily increasing per capita income, the gap both within and between rich and poor countries is widening.

Share of Global income over time			
Year	Richest 20%	Poorest 20%	Ration of rich/poor
1960	70.2	2.3	30:1
1970	73.9	2.3	32:1
1980	76.3	1.7	45:1
1989	82.7	1.4	59:1
1997	90.0	1.0	74:1

- In 1960 the richest fifth of the world's population received 70% of global income compared to 2.3% for the world's poorest 20%. By 1989 the richest 20% had increased their share to 82.7% while the bottom fifth's share of global income shrank from 2.3% to 1.4%.
  - In Brazil the richest 20% earn 28 times as much as the poorest 20%. In the U.S. from 1977-89 the average real income of the top 1% increased by 78% while the poorest 20% of the population saw their income decrease by 10.4%.

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• Source: *Globalization*, Wayne Ellwood, New International/Verso, Oxford, 2001, p.101

## **DEBTS & THE FINANCIAL BUBBLE**

**I. Excerpts from *Debt and Delusion*, Peter Barberton, Allen Lane/The Penguin Press, 1999, pp. 112-113**

“The truth is that nobody really knows. There are many different agencies and exchanges, which report statistics and an ever-expanding list of derivative financial instruments. The BIS publishes estimates of the total size of the market in its annual report, but its data are incomplete and six months out of date when they appear. Because derivatives contracts are denominated in a variety of underlying currencies of financial assets, the standard measure of size is the notional, or contract, amounts are one way of measuring the outstanding stock of derivatives, they are not necessarily meaningful measures of the actual risks involved. The degree of risk for many derivatives varies both by the type of product and by the type of risk being measured.

The BIS end-year data show the aggregate size of the main financial derivatives markets (interest rate, currency and equity options, futures and swaps) as \$1.1 trillion at end 1986, \$ 4.2 trillion in 1989, \$ 6.9 trillion in 1991 and \$ 7.5 trillion in 1992. However, the Federal Reserve Board of New York published data in July 1995 showing the total derivatives market value as \$10.2 trillion in 1990, \$ 14.0 trillion in 1991, \$

17.3 trillion in 1992 and \$ 25.1 trillion in 1993. The difficulty of measurement has not eased in recent years. The BIS estimated that the total outstanding notional value of derivative products was about \$ 55.7 trillion at end March 1995, comprising exchange traded derivatives of \$ 8.2 trillion and OTC derivatives of \$ 47.5 trillion. Unofficial estimates suggest that this figure had swelled to between \$ 50 trillion and \$ 100 trillion by the end of 1997 in round figures, the latter figure represents a 40 percent annual compound growth rate since 1990.”

“One of the most important insights into the 1990s concerns the substandard economic performance of most developed countries in the west. During the 1980s, rapid debt growth was an expression of confidence in our economic future; there seemed to be plenty to show for all the borrowing. In the 1990s, the borrowing binge has been no less frantic, but the economic returns are much reduced. The huge expansion of public debt has not been associated with a noticeable improvement in economic performance. All that the Anglo-Saxon and some continental European countries have to show for the credit expansions of the 1990s are the huge improvements in the valuation of their bond and equity markets. On the contrary, the increase in overall indebtedness has constrained and complicated national and personal economic life. A turning-point in the exposure of our foolish attitudes to debt will be an open admission of economic failure.”

(pp. 226-227)

“The story of the western financial system since the early 1970s is one of debt addiction. In the Anglo-Saxon countries, access to affordable forms of borrowing has risen exponentially, encompassing the young as well as the old, the feckless as well as the astute. In other developed countries, conservative attitudes to personal borrowing have been negated by profligate attitudes to public debt. Even as the agonies of Japan’s debt-induced calamity are being re-expressed in East Asia, western governments insist that all is well. However, the absence of serious inflationary problems during the 1990s does not prove that the debt addiction has been broken. Rather, there is persuasive evidence that the problem has migrated elsewhere. Overemphasis, to the point of obsession, on the inflation objective has blinded governments and their central banks to the risk of widespread debt default by borrowers. The unpreparedness of the western world can be understood only in terms of ignorance. Most of those under 50 years of age hold only a small proportion of their assets in the form of cash and deposits. They do not appreciate how fragile the financial system has become, nor how easily the investment gains of many years could be forfeited. One day the mist will clear and the collective delusion of effortless wealth creation will be shattered. Until that day, we are living on borrowed time.

“The credit and capital markets have grown too rapidly, with too little transparency and accountability. Prepare for an explosion that will rock the western financial system to its foundations.” (pp. 260-261)

**II. Excerpts from *The Grip of Death: A Study of Modern Money, Debt Slavery and Destructive Economics*, Michael Rowbotham, Jon Carpent Publishing, Oxford, 1998**

Michael Rowbotham, a teacher and a writer, has written this powerful book. A few excerpts of this are given below to give some idea of fresh thinking of the west on the issue of debt. This is not the mainstream thinking; yet this represents an important voice of dissent.

“There have been many explicit warnings in the past concerning the ability of banks to acquire a nation’s assets, and leave its people in a state of dependency. In the context of the discussion on housing, the following statement by Thomas Jefferson is sobering:

If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and the corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied. The issuing power of money should be taken from the banks and restored to Congress and the people to whom it belongs. I sincerely believe the banking institutions having the issuing power of money are more dangerous to liberty than standing armies.’<sup>21</sup>

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<sup>21</sup> *The Rise of American Civilization*, Charles Beard, London, Cape



As we have seen, debt does not just apply to housing. Sterling Pound 411 billion has been raised against the housing stock, Sterling 300 billion has been raised against industry, farming, the service sector, and other areas of the economy. Sterling 380 billion has been raised against the public assets of the nation through the national debt. If calculations are made of the total assets, private and public, of the nation as a whole, a steadily increasing proportion is subject to secured debt of the financial system. Legal title and ownership of these assets thereby rest with the banking system. As with all these issues, this is not a situation peculiar to Britain. In Australia, the Commonwealth Bank was set up in 1912 with assets totaling \$ 20,000. By 1984, its assets had reached \$ 30,496,000,000. The Australian Institute for Economic Democracy commented:

“In magnetizing the real wealth of Australia (i.e. creating its monetary equivalent) the banks have issued the money as a debt and so acquired assets equal to about one third of the entire wealth of Australia. Does it not strike you as preposterous that an institution that produces nothing more than figures in books, can acquire the ownership of assets more vast than our greatest industries which employ thousands of people in all states, and upon whose physical production the entire economy of Australia depends?”<sup>22</sup>

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<sup>22</sup> *The Money Trick*, Institute of Economic Democracy, 1989

However, the most powerful and forthright warning ever made concerning the power of banking is that offered by Lord Josiah Stamp, former director of the Bank of England.

“The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in inequity and born in sin. Bankers own the earth; take it away from them, but leave them with the power to create credit, and with the stroke of a pen they will create enough money to buy it back again. If you want to be slaves of the bankers, and pay the costs of your own slavery, then let the banks create money.”<sup>23</sup>

It may seem astonishing, but the matter of not owning our own houses and progressively losing control off the assets of the nation to the financial system are perhaps the least serious results of debt-financing. What is ultimately far more important and damaging is the effect of this increasing debt on the wider economy. The effect is not restricted to people having to borrow-to-buy, and industry having to borrow too invest, and so create and circulate money. That money has to be repaid. Throughout the economy, the scramble to meet costs and repay debts in a debt-based financial system introduces an unrelenting pressure, fostering trends, which utterly dominate industry, agriculture and the provision of services.

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<sup>23</sup> Lord J. Stamp, Public Address in Central Hall, Westminster, 1937

It is a pressure that penetrates every corner of our lives, binding us to permanent employment, distorting our economies, forcing them to grow and change at an ever increasing rate and complete with ever greater ferocity. The way this pressure takes effect is the subject of the next chapter and it gives far greater substance to the chilling warning by Lord Stamp. ‘If you want to be slaves of the bankers, and pay the costs of your own slavery, then let the banks create money’. Now, slavery is a big word, and it might be thought that Lord Stamp was merely using it for literary effect. Unfortunately, as the discussion shows, it is a term that is both justified and penetratingly accurate.”

(pp. 34-36)

### III Debt-Mountains-Galore\*

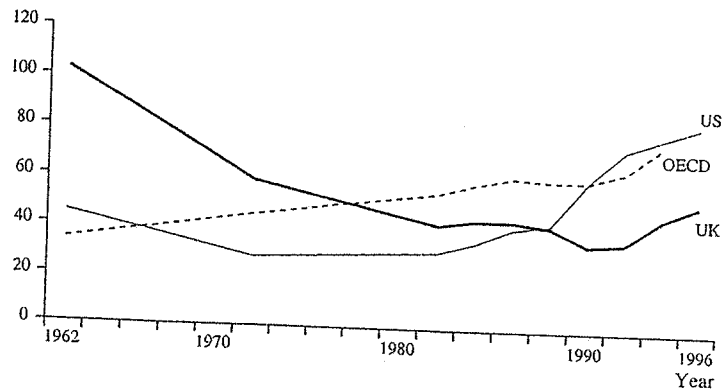
United States National Debt Growth			
Year	National debt \$bn	GDP \$bn	Debt as % of GDP
1962	248	557	45
72	329	1153	28
1982	966	3139	31
4	1300	3688	35
6	1888	4187	41
8	2050	4750	43
1990	3376	5522	61
2	4189	5630	74
4	4799	6050	79
6	5241	6232	84

\* Source: *The Grip of Death*, Michael Rowbotham, 1998, p. 249

United Kingdom National Debt Growth			
Year	National debt £bn	GDP £bn	Debt as % of GDP
1962	28.2	27.5	103
72	33.9	57.9	59
1982	118	279	42
4	143	325	44
6	170	384	44
8	197	471	42
1990	193	551	35
2	215	596	36
4	307	666	46
6	380	730	52

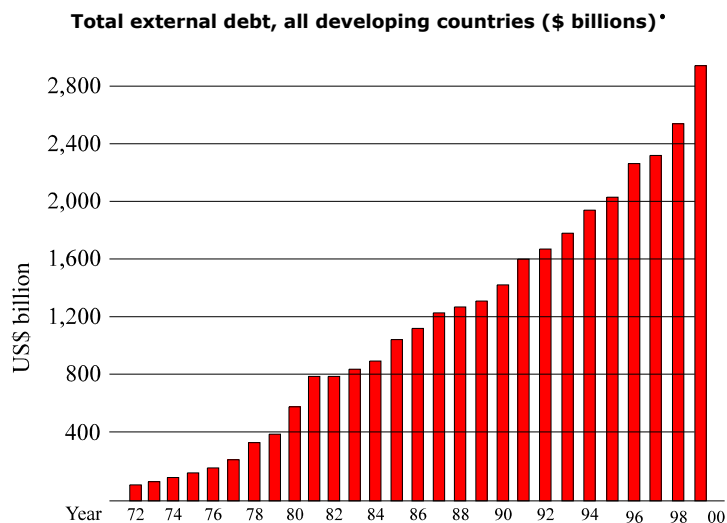
OECD Average National Debt as Percentage of GDP	
Year	Av. Debt as % of GDP
1962	34
72	45
82	55
4	59
6	62
8	61
1990	61
2	65
4	76
6	N/A

**Debt as a percentage of GDP**



### The Debt mountain: The Third World

The foreign debts of developing countries are more than three trillion (million million) US dollars and still growing. The result is a debt of over \$ 600 for every man, woman and child in the developing world (4/5th of the world population) where average income in the very poorest countries (1.2 billion) is less than a dollar a day.



\* Source: *World Development Report 1999/00*, World Bank

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(Dr. Muhammad Nejatullah Siddiqi, pp. 100, 2001)
- **Towards Islamic Banking: Experiences and Challenges**  
(Khalid Rahman, Mushfiq Ahmed (eds.), pp. 111, 2000)
- **Experiences in Islamic Banking**  
(Khalid Rahman, Muhibul Haq Sahibzada, Mushfiq Ahmed (eds.), pp. 88, 2000)
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