



## **“FRATERNITY, ECONOMIC DEVELOPMENT AND CIVIL SOCIETY”**

### **Italian Muslims respond to the Pope’s appeal to all men of good will.**

In the recent encyclical “Caritas in Veritate”, Pope Benedict XVI expresses a concerned appeal, addressed not only to the catholic world, but to “all people of good will”, recognizing that “other cultures and religions teach brotherhood and peace and are therefore of enormous importance to integral human development”<sup>1</sup>, and that “in all cultures there are examples of ethical convergence, some isolated, some interrelated, as an expression of the one human nature, willed by the Creator”<sup>2</sup>. In particular, the third chapter, entitled “Fraternity, Economic Development and Civil Society”, intends to reaffirm human dignity in its dimension of faith and knowledge, surpassing the limits of “purely consumerist and utilitarian view of life”. If “sometimes modern man is erroneously convinced of being the creator of himself, of his life and of society”, he does so because he is victim of a simple “presumption”<sup>3</sup>, of that pride has always been stigmatized by all of humanity’s great religions; therefore, the Islamic Finance Committee and the Italian Halal Ethical Committee of the Italian CO.RE.IS (Islamic Religious Community) recognizes the call of the Papal Encyclical of the strictest assonance with the authentic, inspired principles of the Islamic tradition.

The aim of creating synergies between ethics, politics, finance, commerce and the universal values that are present in the three great monotheistic, Abrahamic religions -Judaism, Christianity and Islam- actually represents a turning point in the path that we set out on a few years ago.<sup>4</sup>

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<sup>1</sup> “Caritas in Veritate” §55.

<sup>2</sup> “Caritas in Veritate” §59.

<sup>3</sup> “Caritas in Veritate” §34.

<sup>4</sup> In July 2006 Imam Yahya Pallavicini, vice president of the COREIS, was invited as Muslim expert to speak at certain labour meetings at the World Economic Forum (WEF) headquarters in Geneva and was then invited to London by Tony Blair, then Prime Minister. He also invited to Paris for a Triple Bottom Line Investing (TBLI) conference promoted by 3iG (International Interfaith Investment Group, [www.3ignet.org](http://www.3ignet.org)) regarding Islamic Banks and Real Estate.

In Italy, as collaboration with the Minister of Interior Giuliano Amato in the Committee for Italian Islam has produced the writing of the Chart of Values of Citizenship and Integration, the CO.RE.IS has been called to Milan to organize, as Islamic partner of a pilot project regarding Halal foods, studied by Promos, the agency for the internationalization of the Milan Chamber of Commerce, under the patronage of the Lombardia region and UnioneCamere. This is how the registered mark of HalalItalia was created, a mark that represents the company that certifies halal products that has an ethics committee of Western, Muslim experts who are able to organize the training courses (Interreligious Studies Academy), inspectional visits for quality control, assistance abroad for Made in Italy products, in the sector of Food and Cosmetics, to present to the Islamic world with the ethical conformity that is necessary according to both the European norms and Islamic Law. A first mission to Dubai has allowed HalalItalia’s products of various Italian companies to begin commercial and intercultural exchanges.



On the other hand, the natural proximity between the Christian and Muslim religious sensibilities has recently been emphasized also by the Catholic side with a renewed interest in the principles of the Islamic economy, producing various documents such as *L'Osservatore romano*<sup>5</sup>, *Civiltà cattolica*<sup>6</sup>, *Vita e Pensiero*<sup>7</sup>, and there is evident interest on behalf of institutions regarding Islamic Finance, that is being looked at in search for possible alternative solutions to the usual economic-financial, western vision. There are talks of creating, in Italy, a committee led by Bankitalia, Minister of Foreign Affairs, Franco Frattini and the Minister of Economy and Finance Giulio Tremonti, established in order to deal with the relative theme of the requisites to ask of the Financial Institutions to control the opening of Islamic bank counters in Italy.<sup>8</sup> Foreign communities or non-EU banks that are already working Islamically are interested in this as well as Italian banks that could issue Islamic bonds (*sukuk*) and other instruments that could increase the clientele number. Last, but not least, is the Islamic loan, which has been already used in various European countries and that, in Italy, requires the introduction of a fiscal exemption to be approved of by the law.<sup>9</sup>

However, the need to supply an ethical framework to an economy, that risks becoming evermore uncontrollable and making small and large investors lose faith in companies and financial groups, remains in the spotlight. This leads to a worsening of the crisis and to irreversible repercussions, like those that are happening in the field of social welfare. If, actually, as the Pope highlights, the economy and the market are characterized by the principles of so called “commutative law”, that controls the commercial exchanges, the search for a “commutative justice” can definitely not be entrusted to the rules of the market that “cannot rely only on itself, because it is not able to produce by itself something that lies outside its competence”.<sup>10</sup>

The recent financial crisis, that witnessed an almost worldwide economic crash, should constitute and ulterior confirmation of the impossibility of establishing a presumed society of wellbeing only

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<sup>5</sup> L'Osservatore Romano, 4-3-09, p. 3: “From Islamic Finance, proposal and ideas for the West in crisis” L. Napoleoni e C. Segre.

<sup>6</sup> Civiltà Cattolica, 4-4-09, p. 31: “Islamic Finance”, L. Larivera S.I.

<sup>7</sup> Vita e Pensiero XCII (2009) n. 1, p. 25: “Can Islam help Western finance?” L. Napoleoni e C. Segre.

<sup>8</sup> Corriere della Sera 24/07/09, *Great liquidity in Arab countries. Italy could take advantage by issuing “sukuk”* article by Cecilia Zecchinelli.

<sup>9</sup> Currently, in fact, to avoid loans with interests, it is not allowed in Islam. This type of loan would mean two successions for one real estate, one to the loaning bank that buys it and the other to the borrower who buys it at the bank rate. Therefore, with a double fiscal charge that is impracticable.

<sup>10</sup> “Caritas in Veritate” §35.



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on market rules,<sup>11</sup> excluding any “transcendence”, any “metaphysical” and religious perspective as expressed by the Pontiff: “This is a task that cannot be undertaken by the social sciences alone, insofar as the contribution of disciplines such as metaphysics and theology is needed if man's transcendent dignity is to be properly understood”.<sup>12</sup>

In other words, like the market cannot find in itself the meta-principles that would discipline it according to nature and the function that God has entrusted to man on earth, money and capital cannot constitute a value in themselves, regardless of finality, of actions and of the realities that underlie their use.

### **“PECUNIA NON PARIT PECUNIAM”<sup>13</sup>**

The Islamic ethic, in terms that belong to it from its origins, develops the common principles of the Abrahamic civilization as a whole aimed at providing “joint satisfaction in material and spiritual needs”.<sup>14</sup> For example, the Islamic ban of the loan with interest (*ribā*) existed also in ancient Christianity, when already in the 4<sup>th</sup> and 5<sup>th</sup> Century the Fathers of the Church, both greeks and latins, ardently opposed it, based on both the Old Testament and the Gospel (Lk. 6:35).<sup>15</sup> Regarding this, the Quran says: “But Allah hath permitted trade and forbidden usury”, and “O ye who believe! Fear Allah and give up what remains of your demand for usury, if ye are indeed believers”.<sup>16</sup>

Even the classical Hellenic world that, as the Pope confirms, was an essential element in the establishment of Christianity, following “encounter of faith and reason, between genuine enlightenment and religion”<sup>17</sup>, saw money as merely a symbolic form of exchange of a unity of measurement between two goods that would otherwise be incomparable, that could not be measured and made object of such an exchange and therefore sold or bought as if, in turn, it was a good. “In

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<sup>11</sup> “This is a structural, global crisis. It is not limited to finance, but extended to economy; not limited to the United States, but extended to the rest of the world. The liquidity crisis is becoming a crisis of solvency. The technical instruments applied until now obviously have a limited use. (Interview with Minister Tremonti Repubblica 17 March 2008).

<sup>12</sup> “Caritas in Veritate”, §53.

<sup>13</sup> “Money doesn't produce money” (medieval saying).

<sup>14</sup> *Civiltà Cattolica*, cit., p. 34.

<sup>15</sup> Cf. Don Angelo Tosato: “Gospel and wealth: new exegetic perspectives,” Rubettino Editore, Catanzaro 2002, p. 273.

<sup>16</sup> Quran II, 275 and 278. The Prophet Muhammad confirmed these words prohibiting both lending and usury as well as borrowing (Bukhari XXXVI, 10).

<sup>17</sup> Lecture “Faith, reason and the University” held in Regensburg on the 12 September 2006.



the Islamic doctrine, like in the Aristotelian chrematistic, money in itself must be unproductive. Money must carry out the function of a means of payment and counting unit”.<sup>18</sup>

The great philosophers of ancient Greece analysed with interest the problem of the use of money, especially highlighting the negative aspects. In the *Republic* Plato expresses an absolute sentence against the improper use of money<sup>19</sup>. Aristotle clearly states that the true function of money is that which exists in the exchange and not in the growth due to interest<sup>20</sup>. If money is, by nature, “sterile”, it proliferates, but also impoverishes and becomes subject to inflation with the application of interest: *Pecunia non parit pecuniam*, the medieval saying “money doesn’t produce money”.<sup>21</sup>

### TRUE “INTEREST” AND THE FIRM’S RESPONSIBILITY

A practical implication of this principle concerns a theme of extreme topicality like that of a firm’s responsibility, something that nowadays is often discussed. The ban on interest, in fact, means, for example, that who lends money must be aware of how it will be used and must be participate in the results of the firm, in both the gains and the losses. Even in the case of Financial Islamic Institutions (FII), the responsible participation of the believer is necessary, primarily on the level of intentions.<sup>22</sup> There are those who participate with their own skills and time and work and those who participate according to their resources; both must be united in the same responsibility of following the same concrete and shared end”.<sup>23</sup>

Even in this sense it is interesting to note how the Pontiff affirms that “it is becoming increasingly rare for businesses to depend on a single territory. Moreover, the so-called outsourcing of production can weaken the company's sense of responsibility towards the stakeholders, namely the workers, the suppliers, the consumers, the natural environment and broader society”.<sup>24</sup>

<sup>18</sup> Civiltà Cattolica, cit., pag. 35.

<sup>19</sup> Plato: *Republic* VIII, 555 e *Laws* V, 742.

<sup>20</sup> Cf. Aristotle: *Politics* I, 10, 1258.

<sup>21</sup> The qualitative function of money as a “fixed unit of measurement” and “pole” around which both spiritual and material exchanges between men rotate around, was originally symbolized by the fact that coins were, until recent history, covered with sacred and religious symbols. It’s no coincidence that the French metaphysician René Guénon sees in the “degeneration of coins” following its alteration, one of the events at the origin of the crisis of the modern world.

<sup>22</sup> Cf. Hadith of the Prophet Muhammad “Actions are according to Intentions.” (Bukhari I, 1).

<sup>23</sup> For example, whoever lends with fixed interests could be “interested” in buying the business from the beneficiary if the loan were to fail. However, there are deeper reasons and justifications of the fact that God demands of believers a strong participation and unity of intentions even in the field of entrepreneurial activities.

<sup>24</sup> “Caritas in Veritate” §40.



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It is now unquestionable that the recovery of major “climate of mutual trust” in commercial exchanges is increasingly more urgent, thought to be, by Benedict XVI, the cardinal principle on which the market itself must base itself on.<sup>25</sup> Even the banning of *ribâ*, interest, is born from necessity, in the Islamic finance, of tying every profit to a **true form of work** and to relations of **reciprocal collaboration and trust** between men: it is, therefore, a matter of inescapable spiritual principle that can contain the creation of a virtual and parallel world of “delocalized” speculation, that today has reached, by exasperating certain financial models based solely on interest, truly parasitic levels. A year ago, Christine Lagarde, French Minister of Finance, in a country that epitomizes secularity, faced with a serious crisis generated by a failed economic system, declared: “Islamic finance presents various advantages, especially for those who condemn speculation”.<sup>26</sup>

On these very foundations, another fundamental aspect of the Islamic law concerning the ban on establishing an economy on free competition pushes believers to establish it on mutual collaboration. More precisely, Islam allows the law of demand and supply, but the capital used in an economic business is exclusively connected with the buying of means of production and other live costs for achieving economic success and not the creations of interests or financial speculation. Regarding this, the collaboration with workers, to whom a correct salary must be given, takes on a relevant importance in that through the production of goods or services they actively contribute to the effective earning of the capital used and to the success of the entrepreneurial operation, the only true “interest” of all.<sup>27</sup>

## **CARITAS AND RELIGIOUS LAW**

If the Pope insists greatly on the necessity to revive the economy, even by the individual’s ability to give, regardless of the redistributive function of states<sup>28</sup>. These two dimensions are also present in Islam, the tenth obligatory ritual, *zakât*<sup>29</sup>, third of the five pillars of Islam, that is then redistributed

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<sup>25</sup> “Caritas in Veritate” §35.

<sup>26</sup> Sole 24 Ore, 12-08-2009, p. 31.

<sup>27</sup> According to another important stronghold of the Islamic economy, used to dilute the actions of capitalism without rules, although respecting private property and basic rules of the market the State or temporal power in force, is obliged to control and guarantee an economic system that would otherwise be prey to groups of power voted for exclusive interest. How can a relation with massive state interventions carried out in developed countries to contrast the recent financial-economic crisis not be seen to be clearly Keynesian inspired?

<sup>28</sup> “In the global era, economic activity cannot prescind from gratuitousness, which fosters and disseminates solidarity and responsibility for justice and the common good among the different economic players” Caritas in Veritate §37.

<sup>29</sup> “Be steadfast in prayer; practise regular charity” (Quran II,43) Cf. also Quran XCVII,5, and the saying of the



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according to precise sacred laws. The second is individual charity, *sadaqah*<sup>30</sup>. These two do not necessarily refer exclusively to the material, but they include charity in general towards other creatures, thus purifying the goods of the giver and freeing him from the subtle risk of being proud of his own works of charity.

The Islamic law provides for *zakât* and *sadaqah* to be used in a *waqf*, that is a entrepreneurial business that seeks to create good and give its earnings to the poor. In other words, *waqf* is a “*sadaqah jâriyah*”, continuous charity, according to the comment of Imam An-Nawai regarding the *hadîth*<sup>31</sup>, the beneficial effects and usefulness increase during the donor’s life, and the parallel in the Catholic realm is, for example, the “*Compagnia delle Opere*”.<sup>32</sup>

In the centuries that have passed, the West has wished to forget the economic principles present in religions, basically considering them to be, in modern times, a heritage of archaic thought. However, it is not about “turning back” to anachronistic and ideal restoration, but on the call made by Benedict XVI, to consider the real contribution that a religious sensibility can concretely offer in fields such as that of economy.

Rather than implement parts of the *sharî‘a* to the current economic order, it is actually a matter of asking legislators to consider with due attention the contribution that economists, financial experts, technical advisors and those knowledgeable in Islam could give for a wider vision of the problems connected to the process of globalization and governance. It is, therefore, not a matter of inserting Islamic rules in a world that could never entirely be Muslim but, rather, to benefit also from the knowledge found in the Islamic perspective of economy.<sup>33</sup>

This perfectly suits the request for a change in the rules that have so far modeled the world economic system, a change that has been invoked by all the involved parties and expressed by

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Prophet, when a man asked him to indicate an action that would allow him to enter into Paradise: “Serve God without associating anyone to Him, practise prayer and *zakât*, and keep both ties united.” (Bukhari, Muslim and Nawawi XXXVII, 6). “Allah will deprive usury of all growth but will give increase for deeds of charity.” (Quran II, 276).

<sup>30</sup> On *zakât* and *sadaqah* cf. Bukhari, book XXIV.

<sup>31</sup> “Every act of man ends with his death except for three: continuous charity, a science that is of use after him and a virtuous son that prays for him” (Muslim, 3084).

<sup>32</sup> On *waqf* cf. Bukhari LIV.

<sup>33</sup> In January 2008, the **Italian Islamic Religious Community (CO.RE.IS.)** was invited to participate in the **World Economic Forum** in Davos (Switzerland) in an international session promoted by its president Klaus Schwab on international relations and the exchange between the Islamic world and the West. The success of this first initiative of international dialogue and the relevance of the “A Common Word Between Us and You. Love of God and Love of the Neighbour” document written by 138 modern Muslim scholars has pushed institutions to organize a second reunion on the same theme at the *World Economic Forum Middle East* in Sharm el-Sheikh **Hosny Mubarak**, President of the Arab Republic of Egypt was present.



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voices such as that of the President of the United States, Barak Obama, or, in Italy, by the Minister of Finance Giulio Tremonti, who has often noted the need to renovate the rules and begin a new Bretton Woods, international conference that in 1944 modeled the face of the new financial economy that was necessary at the end of the Second World War. In other words, it is a matter of going towards a new economic ethic that bears in mind the needs of the multiple social elements that are a part of it.<sup>34</sup> When the Minister proposes innovative solutions for employment, like making workers participate in the entrepreneurship of the company, tying remunerations to the workers “rather than only to the management”, he really seems to be promoting something new.<sup>35</sup> Yet, Islam, away from any fundamentalist distortions, can offer something more, a vision that is not merely “moral”, founded on principles of equality and of the search for good for all humanity, and principles that go beyond the simple material plane.

Therefore, as the Pope says, the laws have to create boundaries for anarchic economy. At the same time, we would like to emphasise that, aside from the need to rediscover a greater meta-economic disinterest, it is equally important to refer to the supra-personal Truth of God and of his Doctrine of Revelation, beyond any empty formalism: “Caritas” yes but “in Veritate”. Without sincere intention, the very same Islamic model could in fact risk being manipulated and become counterproductive and the demand on behalf of certain radical movements to reinstate an alleged Islamic “neo caliphate” is extremely far from the true orthodoxy that is founded on the acceptance of reality as a manifestation of the divine Will and on the intelligence of being able to adapt the eternal spiritual principles to the various eras and continuously evolving situations.

## **GLOBAL INTEREST**

The economy can, therefore, represent a privileged territory of exchange and collaboration between people and spiritual guides and the world governing authorities. The operating dimension that true spirituality brings with it has become increasingly more necessary for the requalification of exchanges and relations between men.

The way in which these relations and economic exchanges are carried out actually derives strictly from the vision of the world of each individual and of the communities of which they are a part of.

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<sup>34</sup> From Article “*La globalizzazione crea povertà: difendiamo la nostra produzione. Un'altra Bretton Woods per l'ordine mondiale*”, Repubblica, 17 March 2008.

<sup>35</sup> Corriere della Sera, 2-9-09.



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The different economic approaches tied to the various religious affiliations or the different scientific and philosophical systems. There is, therefore, not just one model and everyone can and must live together, finding common ethical grounds that refer to the ultimate Truth that every ethical system must maintain, not being able to replace itself with the Truth from which it derives.

With this objective, at the beginning of 2009, the President of the European Commission, **José Manuel Barroso**, invited the director of the ethical committee of *HalalItalia*, Imam Yahya Pallavicini, to participate in the meeting “**The economic financial crisis: ethical contributions for the European and global economic management**” of the European Religious Leaders in Brussels where the concluding remarks were given by **Joaquin Almunia**, Commissioner responsible for Economic and Monetary Affairs.

As a result of this institutional sensitisation, the CO.RE.IS has established a Scientific Committee on Islamic Finance that brings together Italian Muslim experts in Economics, researchers at the Universities of Milan, Turin, Venice and Bologna and ENI, Gruppo Intesa San Paolo, UGF Unipol insurance employees whose aim is to study and develop financially ethical products for the European market and for the wider Muslim audience, thus promoting dialogue and relations between the Mediterranean civilizations.

We Italian and European Muslims are fully aware of the fact that humanity today needs a new approach to face the challenges of an increasingly globalised and impersonal world, and we fully share the pontiff’s call to not passively accept the globalisation phenomenon, but to maintain our responsibilities even when the impersonal markets give the illusion that the sincerity of intentions can be prescinded from.

**CO.RE.IS (Comunità Religiosa Islamica) ITALIANA**  
*Committee on Islamic Finance and HalalItalia Ethical Committee*  
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