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CREDERE IS CREDIT AND CREED: TRUST, MONEY, AND RELIGION IN WESTERN AND ISLAMIC FINANCE

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CREDERE IS CREDIT AND CREED: TRUST, MONEY, AND RELIGION IN WESTERN AND ISLAMIC FINANCE ° [1] [2]

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Credere *('aver fede', 'aver fiducia' in latino) definisce l'essenza sia del danaro che della religione. Se avere fiducia in qualcuno comporta dargli/le credito personale/economico, credere in Dio coinvolge la fede nella salvezza ultraterrena. Entrambe queste relazioni riflettono la fiducia che ciò che è stato prestato verrà restituito; quello che è stato rettamente investito sarà moltiplicato. Inoltre, così come ogni vicenda di credito è una storia di rischio ed incertezza (i debitori possono non riuscire a restituire il danaro e le istituzioni di credito, alla fin dei conti, sono sempre gestori di rischio), ogni vicenda di fede è una storia di speranza nella redenzione e nella grazia, che va chiaramente oltre il controllo umano – cosicché l'incertezza qui riappare di nuovo. L'originalità di questo saggio sta nella comprensione della moneta in connessione alla fede religiosa. A tale scopo, lo scritto adotta un approccio comparativo sulla nozione di fiducia (credere) nella finanza occidentale ed islamica, e come essa modelli diversamente l'interazione tra moneta (credito) e religione (fede) nelle loro economie morali. Partendo dalla relazioni tra credere ('aver fiducia') e credito che interconnette finanza, economia, moralità, e religione come se fossero gli angoli di un 'aquilone del danaro' (sezione 1), il saggio si addentra sugli sfondi teologici della finanza occidentale ed islamica, così da interpretarne i modelli alternativi di gestione del credito e del rischio (capitalismo su base di interesse pecuniario vs condivisione del rischio, mutualità, e cooperazione) come manifestazioni specifiche dei loro rispettivi credi religiosi, anche in relazione alla natura degli investimenti di impatto sociale (sezioni 2, 3 e 4). Per concludere la discussione, considerazioni finali sono proposte sulla relazione tra fiducia, danaro e religione secondo le linee interpretative di Weber sul capitalismo e nella concettualizzazione della finanza islamica, e come esse testimonino la persistenza di una cultura di differenziazione della modernità (sezione 5).*

Credere *('to believe', 'to trust' in the Latin language) defines the essence both of money and religion. If trusting someone means giving them personal/economic credit, believing in God involves faith in afterlife salvation. Both these relations reflect the trust that what has been lent will be returned; what has been*

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[1] Vorrei dedicare questo saggio alla memoria del Prof. Franco Belli, indimenticabile attore, autore e fautore della Facoltà di Economia dell'Università di Siena – perché credo ('ho fiducia') che ne avrebbe apprezzato i contenuti. Ringrazio inoltre la redazione di IANUS per i preziosi commenti preliminari ricevuti in sede di referaggio, che hanno contribuito al miglioramento dello scritto con una più chiara definizione dei suoi obiettivi di indagine.

[2] In this article the terms 'belief', 'religion', 'creed', and 'faith' are used somehow as synonymous, despite they refer to different aspects of human spiritual life in the English language. While the word 'creed' indicates a statement of faith that summarises the shared beliefs of a religious community (in Arabic, '*aqidah*), 'belief' tends to focus more on the inner aspects of faith. 'Religion' (in Arabic, *din*) usually has a more comprehensive meaning by depicting the whole corpus of beliefs, practices, and doctrines related to a certain faith. In relation to this preliminary clarification, I invite the reader to think about 'creed' in this article more as the anglicized version of the Latin *credo*, 'I believe' (from which the term derives) rather than in the sense of a religious belief system (this second meaning, however, is employed in the text too). In relation to this, any creed implies the 'faith' (in Arabic, *iman*), and so the trust, in God and afterlife salvation.

righteously invested will be multiplied. Moreover, just as any story of credit is a story of risk and uncertainty (debtors may not be able to return money, and credit institutions are always, after all, risk managers), any story of faith is a story of hope in redemption and grace, which clearly goes beyond human control – hence, uncertainty here reappears again. The originality of this article lies in the understanding of money as connected to religious belief. For this purpose, it takes a comparative perspective on the notion of trust (credere) in Western and Islamic finance, and how trust differently shapes the interaction between money (credit) and religion (faith) in their moral economics. Moving from the relationship between credere ('to trust') and credit that interconnects finance, economics, morality, and religion as if they were the corners of a 'money kite' (section 1), the article delves into the theological backgrounds of Western and Islamic finance, so to interpret their alternative models of credit and risk management (interest-based capitalism vs risk-sharing, mutuality, and cooperation) as specific manifestations of their respective religious creeds, also in relation to the nature of socially oriented investments (sections 2, 3 and 4). To conclude the discussion, final considerations are proposed on the relationship between trust, money, and religion according to Weber's interpretive outline of capitalism and in Islamic finance conceptualisation, and how they testify to the persistence of a differentiation culture of modernity (section 5).

Summary:

1. *Credere* ('to trust'): the 'money kite' of finance, economics, morality, and religion

As a topic of research, the interconnection (and interdependence) between finance, economics, morality, and religion may not appeal to some contemporary readers when dealing with the study of the nature and function of money in relation to risk, uncertainty and profit[3]. Indeed, if the topic may intrigue open-minded social scientists who are conscious of the need for an all-encompassing approach to the study of human nature, history, and culture, the substantial outcomes of this approach would appear to many others more philosophical rather than of any practical impact. Furthermore, although very few people would disagree today with the fruitfulness of an interdisciplinary overlap between each pair of disciplines in the order mentioned above[4], I suspect that more critical eyes would look – if not disappointed eyebrows rise – at a deeper investigation of the relationship between religion and finance in the way money is conceived and managed, so to link the two more distant poles of the list.

However, this apparent distance becomes illusory (if not misleading) when we move from a different perspective and we recognise that money and religion do share a common background: that of mutual trust between economic actors for the former, and that of devout belief, in relation to a creed, for the latter. In this sense, *credere* (which means both 'to believe' and 'to trust' in the Latin language) belongs both to the essence of money, as well as of religion. If believing in someone means giving them personal/economic credit, to believe in God involves faith in afterlife salvation. Both reflect the trust that what has been lent, will be returned; what has been righteously invested, will multiply in value. Moreover, just as any story of credit is a story of risk and uncertainty (debtors may not be able to return money, and credit institutions are always, after all, risk managers), any story of faith is a story of hope in redemption and grace, which goes beyond human control – hence, uncertainty here reappears again[5].

Embracing this conceptual background, where the nature of money can be understood (also) in relation to religious belief, the image of a 'kite' can help us keeping connected the four corners of finance, economics, morality, and religion in the navigation of the sky of social sciences[6]. Accordingly, the resulting 'money

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[3] A classic contribution in the field of the nature and function of money remains KNIGHT, *Risk, uncertainty and profit*, Boston - New York, 1921. Frank Knight concentrates on the role of choice in the theory of profit and exchange, as well as the impact of risk and uncertainty in economic theory. Differently, the present article, as the reader will immediately understand, tries to offer an alternative perspective on the matter, linking the nature of money to religion through the concept of trust.

[4] Finance + economics; economics + morality; morality + religion: hence, respectively, the well-established academic literature around financial economy; business ethics; Christian ethics or moral theology; Islamic ethics and religion, just to give some examples.

[5] For the use of 'belief', 'religion', 'creed', and 'faith' as synonymous in this article, please see, here, note 2.

[6] I am in debt with Prof. Werner Menski for the kite metaphor, that he has applied with success

kite' may represent a very handy hermeneutical tool in the study of credit and risk management, also in relation to the idea of uncertainty, as well as for the investigation of issues of comparative finance and for the search of alternative business models beyond Western capitalism. This comparative approach can offer relevant elements of reflection in a bilateral way. On the one side, in the light of an intra-cultural analysis of the background of the Western identity of socio-economic actors – bearing the morality and the theology of modern capitalism in the management of their *own* money –, it can help advancing an original understanding of money as connected to religious belief. On the other side, it can shed light over the moral economy of non-Western model of development, such as that of Islamic finance, whose legitimacy (as an alternative to conventional capitalism) has been based, since its inception in the 1960-1970, on the religious teachings of Islam.

In this regard, if in the last decades the promoters of Islamic finance have proclaimed the possibility of another identity for the global economy as grounded on the morality of Islam, to which extent does this *other*ness really subsist? Is it (just) linked to Islamic teachings? And, in this sense, to which extent are Western and Islamic finance different? How much can the latter contribute to a *real* change to mainstream capitalism?[7]

In the persistence of reciprocal patterns of differentiation cultures[8] (i.e. within a differentiation construction that works bilaterally – the West *vs*. the East and, in return, the Orient *vs*. the Occident – and opposes the secular modern West and its capitalist system – whose *a*-religious roots have been anyway questioned from Weber onwards[9] – to the religious non-modern Orient[10]), the recognition of a deep interconnection between finance, economics, morality, and religion – as the backbone of a functioning 'kite' in the form of 'money' – can represent a very useful vehicle of conceptual analysis.

For instance, by 'flying' over this 'money kite' with regard to the interaction

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in conceptualizing issues of legal pluralism and in sustaining the need for a stronger plurality-consciousness for any scholar dealing today with global issues, both at a theoretical level and in legal practice. As examples of this application, see MENSKI, *Comparative law in a global context. The legal systems of Asia and Africa*, II ed., Cambridge, 2006; MENSKI, *Law as a kite: managing legal pluralism in the context of Islamic finance*, in CATTELAN (ed.), *Islamic finance in Europe: towards a plural financial system*, Cheltenham, UK - Northampton, MA, 2013, 15-31.

[7] It is not the aim of this article to provide a comprehensive discussion of the story, mechanisms, and instruments of the Islamic financial system, for which the reader can refer, for instance, to AYUB, *Understanding Islamic finance*, Chichester, 2007; and WARDE, *Islamic finance in the global economy*, Edinburgh, 2000. For an outline of the peculiar scientific paradigm of Islamic economics and finance, CATTELAN, *Theoretical development and shortages of contemporary Islamic economics studies: research programmes and the paradigm of shared prosperity*, IKAM Report n. 6, Research Paper n. 1, Istanbul, 2018.

[8] For further considerations on the point, please refer to section 5 of this article.

[9] WEBER, *The Protestant ethic and the spirit of capitalism*, New York, 1958 (first edition in German language 1904-1905).

[10] SAID, *Orientalism*. New York, 1978.

between the corners of economics, morality, and religion, one may observe how the text that Western culture considers at the foundation of the modern discipline of economics, Adam Smith's *The wealth of nations* (1776)[11], was actually written by a moral philosopher who lived (1723-1790) during the Scottish Enlightenment and was passionate about Isaac Newton's theories (1642-1727). Not by chance, a certain similarity can be found in their argumentations about the 'invisible hands' providing order to nature (in Newton's works) and economics (in Smith's opinion). «Newton had represented God as a cosmic watchmaker who had created the physical machinery of the universe in such a way that it would operate for the ultimate benefit of humans and then let it run on its own. Smith was trying to make a similar, Newtonian argument. God – or Divine Providence, as he put it – had arranged matters in such a way that our pursuit of self-interest would, nonetheless, given an unfettered market, be guided "as if by an invisible hand" to promote the general welfare. Smith's famous invisible hand[12] was, as he says in his *Theory of Moral Sentiments* [IV.I.10], the agent of Divine Providence. It was literally the hand of God»[13].

The four-corner 'money kite' can also be of help for the interpretation of the recent growth of academic literature about moral economy (hence, economics + morality), socially responsible investments, sustainable development goals,[14] and

[11] Shortened title of SMITH, *An inquiry into the nature and causes of the wealth of nations*, Petersfield, 2007 (first edition 1776).

[12] Mentioned for the first time in his *History of astronomy* (written before 1758) as something to which ignorant refer to explain what they do not understand about natural phenomena, Smith speaks of *an* invisible hand (never of *the* invisible hand) with respect to income distribution in SMITH, *The theory of moral sentiments*, London, 2010 (first edition 1759). The same concept is mentioned regarding issues of production in *The wealth of nations*, op. cit. (1776). The first passage, dated 1759, deals with an invisible hand leading a selfish landlord to distribute his harvest to the workers (Part IV, Ch. 1); the second extract deals with the force by which man's natural tendency towards self-interest results, beyond his own personal intentions, in society prosperity (Book IV, Ch. 2, par. 9): «[E]very individual necessarily labours to render the annual revenue of the society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it... [H]e intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intend to promote it». In fact, what future generations would consider the most iconic quotation of Smith's idea of the free market does not employ the metaphor (*The wealth of nations*, Book I, Ch. 2, par. 2): «It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages».

[13] GRAEBER, *Debt: the first 5,000 years*, Brooklyn, 2011, 44 and 396, note 3. Graeber's argumentation is based on some textual evidence of Smith's *Theory of moral sentiments*, while there is no explicit description of the invisible hand in *The wealth of nations* as a theological reference to God's capacity as divine planner.

[14] See, in this regard, the famous resolution by the UNITED NATIONS, *Transforming our world: the 2030 agenda for sustainable development*, Resolution adopted by the General Assembly on 25 September 2015, A/RES/70/1.

social finance. These topics have become even more relevant for the global economy after the severe financial crisis of 2008, as well as the more recent US banking turmoil in 2023. In the same way, some literature has started investigating the fragility of the banking business and the risk of banking crises by connecting money, religion, and the concept of trust[15] (as this article intends to do – for additional considerations on the points, see later at section 5). Last but certainly not least, the centrality of trust in relation to the sound functioning of any economic community has been re-affirmed with reference to the growth of the markets of stablecoins and cryptocurrencies[16].

Focusing here on the concept of moral economy (as the most significant in relation to the comparative investigation that this article wishes to undertake), Götz underlines that, if prior to the eighteenth century there was no 'economics' as a science (being Adam Smith's *Wealth of nations*, 1776, traditionally considered the first text of the discipline in the West), the concept of 'moral economy' is even much newer, as it has been popularised only in 1971 by historian Thompson with reference to the English working class. While commenting on the present usage in the literature of the expression, Götz notes that «for centuries moral economy has been endowed with a more universal meaning. It has served as a synonym either for a divine order given to the world or for the human condition. Today it offers an antithesis to the 'rational choice' imperatives that conflate rationality and utility maximisation in a crude material sense and dominate the present political imagination»[17].

While there is no doubt that the notion of moral economy is certainly useful today to describe alternative ways of utility maximisation through the construction of altruistic meaning for economic transactions, one has also to agree with Hann (2016) that this concept in contemporary literature «has been trivialized through its faddish application to almost everything (Christopher Hamlin's "moral economy of the aquarium", published in the *Journal of the History of Biology* as early as 1986, is a nice example)»[18].

For instance, the oversimplified equivalence between Islamic and ethical finance (that is certainly convenient for its assertors: both in replicating the scheme 'secular West' *vs.* 'religious/moral East', and in re-affirming the moral superiority of Islam over Western capitalism in a pattern of differentiation culture) constitutes a core aspect of the literature of Islamic moral economy[19].

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[15] E.g., TYNAN - MILESI - MÜLLER (2017, eds.), *Credo credit crisis. Speculations on faith and money*, London, 2017.

[16] DODD, *The social life of bitcoin*, in *Theory, Culture & Society*, 35 (3), 2018, 35-56.

[17] GÖTZ, *'Moral economy': its conceptual history and analytical prospects,* in *Journal of Global Ethics*, 11 (2), 2015, 147; also, with reference to ARNOLD, *Rethinking moral economy*, in *American Political Science Review*, 95 (1), 2001, 85.

[18] HANN, *The moral dimension of economy: work, welfare, and fairness in provincial Hungary*, in *Max Planck Institute for Social Anthropology Working Papers*, Working Paper No. 174, 2016, 3. In this regard, also FASSIN, *Les économies morales revisitées*, in *Annales*, 6, 2009, 1237-1266.

[19] «This self-feeding description of Islamic finance and law as intrinsically ethical is widespread

Elaborating on the matter, in this article I will try to compare the moral economy of Western/conventional and Islamic finance by considering how the kite corner of 'religion' affects the corner of 'finance' in managing money in connection to the centrality of trust as founding element of any functioning economic community.

More precisely, the investigation will lead to refer to some religious assumptions that lies behind conventional and Islamic finance, so to compare the extent to which *credere* ('to believe', 'to trust') in different faiths (respectively, Christianity and Islam) – within a relation man-God projecting human life in the eternity – also affects the practice of *credit* management – as a worldly relation between persons that trust each other (section 2 of this article). Correspondingly, keeping the interaction between religion and finance as background for the 'money kite', this reflection will be linked to aspects of *creed* in the comparative investigation of the theological backgrounds of Western and Islamic finance regarding issues of risk-sharing (section 3) and social finance (section 4).

To reach this purpose, the central pair of the list from which this paragraph has started (economy + morality, i.e. the concept of moral economy «trivialized through its faddish application to almost everything»: see previously), will be left preliminarily apart in the discussion. In any way, its consideration will be functional to look at risk and credit management

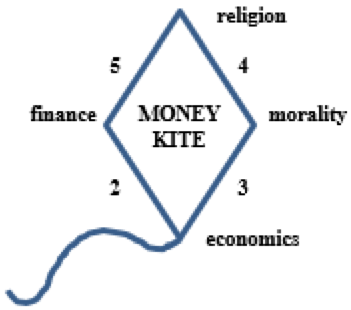
- through the lenses of the differentiation culture regarding religion and finance between the West and the East (section 5),
- after critically evaluating if a social impact of Islamic finance automatically exists or not (section 4),
- within the conceptualization of the *other* and the *brother* in economic affairs (section 3)
- and how money operates in financial systems (either 'occidental' or 'oriental') according to a sociology of 'society' or 'community' of economic interests (section 2) that deeply relates to the notion of *credere* ('trust') both in a worldly and in a theological perspective.

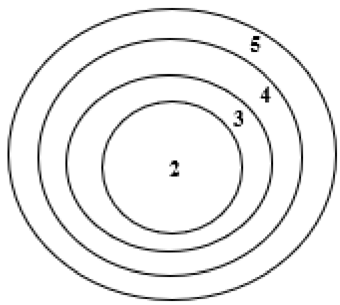
In other terms, what we are going to do is navigating concentric spheres of meaning as if the corners of our 'money kite' would overlap in the barycentre (for a graphical representation of this approach see next page),

in Western and Islamic scholarship; it is well-accepted by Muslim believers, as it emphasizes the moral superiority of Islam; it is useful for Islamic financial institutions, which can enjoy a 'moral reputation' advantage over their 'secular' competitors. Moreover, the description can be comfortably justified by the assertion that 'faith and conscience have always been influential amongst factors encouraging to invest ethically'»: CATTELAN, *Islamic finance and ethical investments. Some points of reconsideration*, in KHAN - PORZIO (eds.), *Islamic banking and finance in the European Union. A challenge*, Cheltenham, UK - Northampton, MA, 2010, 77. See also CATTELAN, *Shari'ah economics as autonomous paradigm: theoretical approach and operative outcomes*, in *Journal of Islamic Perspective on Science, Technology and Society*, 1 (1), 2013, 3-11; CATTELAN, *Legal pluralism, property rights and the paradigm of Islamic economics*, in *JKAU: Islamic Economics*, 30 (1), 2017, 21-36; CATTELAN, *L'economia islamica: alternativa apparente o reale?*, in *Oriente Moderno*, *97*(2), 2017, 270-290.

- starting from the 'kite sides' of the interaction finance + economics (section 2)
- and that of economics + morality (the social nature of money, its ethical dimension, so in the light of the 'moral economy') (section 3)
- to the sides of the relation morality + religion (regarding the social impact of Islamic finance) (section 4),
- and that of the interconnection between the most internal and most external circles (i.e., respectively, finance and religion: section 5), so to look at these kite corners as much more interdependent as it is commonly assumed.

All this will lead to some conclusive comparative reflections about the differentiation cultures that we (Western or non-Western, Muslims or non-Muslims) commonly apply as practical certaint-*ies*[20] in the evaluation of the impact of trust in our secular / religious behaviours, and how this divergent assessment can lead to alternative interpretation about the nature of the financial system.





2. Credit: money and *Life*

In a fragment of his diary (*Tagebuch*), published posthumous in1919/1920 (ed. Kroner and Mehlis) and later in 1923 (ed. Kantorowicz)[21], the great German sociologist Georg Simmel (1858-1918), author of *The philosophy of money* (1900)[22], writes that «[m]oney is society's only creation that is pure energy, completely disjointed from the material object it stands for, making it an absolute symbol. It is the most significant creation of our times to the extent that its existence has

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[20] On the epistemological impact of 'certainty' in our formulation of judgements, my primary reference goes to WITTGENSTEIN, *On certainty*, Oxford, 1969.

[21] SIMMEL, *Aus Georg Simmels nachgelassenem Tagebuch*, in KRONER – MEHLIS (eds), *Logos, Internationale Zeitschrift für Philosophie der Kultur*, 8, 1919/1920, 121-151; SIMMEL, *Fragmente und Aufsätze aus dem Nachlaß und Veröffentlichungen der letzten Jahre* (ed. Kantorowicz), Munich, 1923, 1-46.

[22] SIMMEL, *The philosophy of money*, London, 1990 (first edition 1900).

informed every theory and practice... Its being pure relation (and in this aspect representative, in fact, of its times), without incorporating any content of the relation, does not contradict it at all. Since in the reality, energy is nothing else than relation»[23].

If, as highlighted by the influential post-war German cultural theorist Hans Blumenberg[24], it is certainly true that money stands as Simmel's 'proto-metaphor' for *Life* in the latter's nascent *Lebensphilosophie*, the *Life* of money itself, as commented by Robert Savage, «turns out to be pure circulation, sociation, and interactivity, an endless cycle[25] of extensions and intensifications of value emerging through processes of social exchange»[26].

Money, both as 'material' (when in the present form of *price*) and 'energy' (when in future form of *credit*) of any exchange, enjoys the metaphysical quality of being *absolute medium*, so «to realize the possibility of all values as the value of all possibilities»[27]. At the same time, while projecting the singular (present or future) exchange in the whole of economic *Life* of a certain social group, it also mirrors this *Life* into the single *life* of each social relation[28] as the 'place' of meaning either for *price* (in the present) or *credit* (in the future).[29]

Furthermore, the practice of money-exchange in any symbolic form becomes necessarily inserted in a sociological landscape (space) and horizon (time), whose actors may act either according to the prevalence of personal or impersonal ties. These alternative socio-types (which coexist in economic and financial interactions, since they are complementary in most human experiences) can be described in terms of 'community' (*Gemeinschaft*) and 'society' (*Gesellschaft*) of credit when, respectively, human relations are grounded on personal or impersonal ties in the management of money.[30]

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[23] Quoted in DENEAULT (ed.), *Georg Simmel. L'argent dans la culture modern et autres essais sur l'«économie de la vie»*, 2006, 5 (Author's translation from the French language).

[24] BLUMENBERG, *Money or Life: metaphors of Georg Simmel's philosophy*, in *Theory, Culture & Society*, 29 (7/8), 2012 (trans. From the German original version of 1976 by Savage), 249-262.

[25] On the connection of this idea of 'endless cycle' to *Afterlife*, hence religion, see the last section of this article.

[26] BLUMENBERG, *Money or Life: metaphors of Georg Simmel's philosophy*, op. cit., 249.

[27] SIMMEL, *The philosophy of money*, op. cit., 221.

[28] INGHAM, *Money is a social relation*, in *Review of Social Economy* (Special Issues on Critical Realism), 54 (4), 1996, 507-529. See also MAURER, *The anthropology of money*, in *Annual Review of Anthropology*, 35, 2006, 15-36.

[29] The initial paragraphs of this section are taken from CATTELAN, *The Life of EU money: value, credit and capital as societal processes*, in GIMIGLIANO - CATTELAN (eds.), *Money law, capital, and the changing identity of the European Union*, London, 2022, 1-2. See also CATTELAN, *Sacred Euro: sovereign debt(s) and EU's bare credit in the Corona crisis*, in GEPHART (ed.), *In the realm of Corona normativities: a momentary snapshot of a dynamic discourse*, Frankfurt, 2020, 195-208.

[30] The two types of 'community' (*Gemeinschaft*) and 'society' (*Gesellschaft*) were originally conceptualized by German sociologist Ferdinand Tönnies (1855-1936): TÖNNIES, *Gemeinschaft und Gesellschaft*, Leipzig, 1887. They respectively correspond to two possible modalities of social grouping, where *Gemeinschaft* lies in mutual bonds, close personal interaction and feelings of

With the birth of modern capitalism in the Western world (see also here, section 3), the 'society' of *Gesellschaft* replaced the 'community' of *Gemeinschaft* as central model of credit provision. The birth of banks as credit institutions at the end of the Middle Ages, as described by French historian Jacques Le Goff[31], marked this revolution by moving from usury as a sin to credit management as a work. In this frame, Benjamin Nelson[32] has underlined the role of the Catholic church, as well as of Martin Luther's and John Calvin's doctrinal elaborations, in this cultural revolution (following Weber on the point[33]).

Hence, if originally the lack of profit derivable from the temporal impossibility of using one's money (*lucrum cessans*) or the risk of possible losses from lending this money (*damnum emergens*) were perceived (and were conceivable) *only* towards people external to the 'community', the Protestant reformation radically reshaped this conceptual universe. In its original paradigm, the need to guarantee the loan by asking a mortgage or a pledge to the stranger was legitimised by the (reasonable) lack of trust towards the *other* (not a member of the community). According to the same logic, the (self-)interest of asking for a reward in relation to the risk of not receiving back the money (the idea of 'credit risk') could be easily justified by the fact that trust (of course!) cannot be given blindly to foreigners. Moving away from this paradigm, the theological universalism that fostered Christian theology at the end of the Middle Ages and later the Protestant doctrine by Martin Luther and John Calvin reversed the ethical value of the prohibition of interest in the Bible, since any *other* became, in this elaboration, a potential *brother*. It was this inversion that led to the removal of the prohibition of interest as moral interdiction and its radical change of meaning: in a universal community composed of *others* that are potentially *brothers*, modern capitalism became a space of economic interactions where «all are 'brothers' in being equally 'others'»[34]. Correspondingly, morality and economics became detached one from the other in singular *credit* relations located in the secular space and time (the new sociological landscape and horizon of modern capitalism) – although being reconciled, as we are going to see in a while, in the whole of Christian *Credit* ('creed').

In this way, «the embryonic nature of the contemporary financial system was

togetherness, where the single individual act in the perspective of a common goal (e.g. family, neighbourhood), while *Gesellschaft* refers to impersonal ties, individualism and self-interest, for which it is the group to become instrumental to the individual's aim (e.g. business company or the modern state and its impersonal bureaucracy). On the matter, in relation to Islamic finance, see CATTELAN, *"Equal for equal, hand to hand": comparing Islamic and Western money*, in GIMIGLIANO (ed.), *Money, payment systems and the European Union: the regulatory challenge of governance*, Newcastle Upon Tyne, UK, 2016, 77-101.

[31] LE GOFF, *La bourse et la vie. Economie et religion au Moyen Age*, Paris, 1986; LE GOFF, *Le Moyen Age et l'argent. Essai d'anthropologie historique*, Paris, 2010.

[32] NELSON, *The idea of usury. From tribal brotherhood to universal otherhood*, Princeton, 1949.

[33] WEBER, *The Protestant ethic and the spirit of capitalism*, op. cit.

[34] NELSON, *The idea of usury,* op. cit.

already defined in the late Christian Middle Ages»[35]. Shifting from a social state of 'tribal brotherhood' to that of a 'universal otherhood'[36], money itself, as *absolute medium*, changed its status by symbolizing the new interest(-s) underlying risk-perception, and then moved from risk-sharing (*Gemeinschaft*) to risk-shifting (*Gesellschaft*). As a couple of two-faced Janus, the self-interest to protect *now* oneself equalled the risk to experience a *future* loss in a bilaterally interest(-ed)-based risk-shifted social relation that was embodied by modern money. In other terms, this relation mirrored on the other side the risk to cause a *future* loss to the other party, combined with the interest to have a gain *now*, while economic actors started conceiving themselves as impersonal players of the transaction. The (self-)interest(-ed)(-based) money of modern capitalism (symbolizing a multitude of singular and secular *lives* disintegrated both in the space and time of their sociological landscape and horizon) was born.

Accordingly, the notion of *credit* was soon radically transformed into the de-personalized and de-materialized economy of 'nominal values', where «credit-based honesty [cast] two incongruent textualities (personal reputation, impersonal paper) into discursive reciprocity»[37]. «Derived from the Latin *credere* (to believe or to trust) and originally a reference to the quality of the person who could be trusted, the word [credit] now served to endow the untrustworthy thing – the loan – with the qualities of the person who could be trusted. Buttressed by the personal word of an individual and public acknowledgment of that bond, credit acquired substance, and only when trust failed would a borrower be obliged to pledge his plate or jewels…»[38]. All these disintegrated *finite credit lives* combined in bilateral impersonalities, where money as absolute medium symbolized «the possibility of all values as the value of all possibilities»[39]. Correspondingly, they also found an *infinite* counterparty in the *absolute* value of human *Life* in Christian thought. «Over and above all the details, relativities, particular forces and expressions of his empirical being stands 'man', as something unified and indivisible whose value cannot be possibly measured by any quantitative standard and cannot be compensated for merely by more or less of another value»[40].

On the interconnection between man's *Life* (as a secular and spiritual experience) and *life* (as a worldly enterprise), and the dynamics of money both in the *finite* and the *infinite*, further considerations will be advanced in the last section of this article (n. 5). What is important to note at this point is that, as highlighted

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[35] CATTELAN, *"Equal for equal, hand to hand": comparing Islamic and Western money*, op. cit., 91.

[36] NELSON, *The idea of usury,* op. cit.

[37] SHERMAN (1997), *Promises, promises: credit as contested metaphor in early capitalist discourse*, in *Modern Philology*, 94 (3), 1997, 330.

[38] HOWELL, *Commerce before capitalism in Europe, 1300-1600*, Cambridge, 2010, 28.

[39] SIMMEL, *The philosophy of money*, op. cit., 221.

[40] SIMMEL, *The philosophy of money*, London - Boston, 1978 (original version 1900), 362, as quoted by SINGH, *Speculating the subject of money: Georg Simmel on human value*, in *Religions*, 7 (80), 2016, 4.

by Devin Singh, the generalized abstraction on money (as «the possibility of all values as the value of all possibilities») is «radicalized, according to Simmel, in religion and in Christianity, in particular», as «[f]rom Christianity derives a notion of absolute human value»[41]. Hence, «Christianity implants in Western culture an idea of human worth exceeding any quantifiable categories. Simultaneously, money's increasing ubiquity serves to degrade its own prestige»[42].

In other terms, if the *finite* secular *lives* of money are embedded in worldly social relations, all of them have been subsumed by the Christian *creed* in the *infinite* spiritual *Life* of the human being as religious being. It is to the humanity's *Credit* relation to the infinite subject – God, whose grace has been *credited* on humanity's 'account' in Christianity[43] – that this article will come back in its final section.

At this point, by advancing a comparative perspective between Western and Islamic finance, one may raise the question if (and how) a God who is not conceived as a '*Debtor* of grace' (Christianity) but as the exclusive, original, and final '*Proprietor'* of all the creation (Islam) can also differently affect the conceptualization of money, shifting economic rationales (and morals) from *debt* to *equity*, where the imagination of finite credit relations is replaced by the imagination of an infinite ownership structure to which the human being (as religious being) participates. Since, after all, if one transfers the words of famous legal anthropologist Clifford Geertz about law to finance, money itself is nothing else than «part of a distinctive manner of imagining the real»[44].

Such a conceptual leap requires further investigation on the interaction between economics and morality, so to de-construct the 'kite' while keeping its unity and balance in the gravity centre to make it fly. For this purpose, the next section will focus on the morals of modern capitalism as depicted in Shakespeare's *The Merchant of Venice*, keeping the corner of religion somehow a bit aside, while approaching it through the discussion of the morality of risk-sharing (*equity*) in the contemporary market of Islamic finance.

3. Christian creed and the morals of capitalism: from *The Merchant of Venice* to risk-sharing in Islamic finance

Born in Berlin in 1858 from an assimilated Jewish family, from a father who converted to Roman Catholicism and a mother who converted to the Lutheran Church, Georg Simmel was baptized himself as a Protestant when he was a child. Together with Ferdinand Tönnies[45] and Max Weber, he co-founded in 1909 the

[41] SINGH, *Speculating the subject of money…*, op. cit., 4.

[42] ID., 8.

[43] ID., 9.

[44] GEERTZ, *Local knowledge: fact and law in a comparative perspective*, in GEERTZ (ed.), *Local knowledge. Further essays in interpretive anthropology*. New York, 1983, 184.

[45] See previously, here, note 30.

German Society for Sociology, serving as a member of its first executive body.

While it is difficult to judge how much Simmel's personal contacts with Tönnies and Weber influenced his scholarship, one can elaborate on the role of Christian religion – through the acknowledgement of the absolute, *infinite*, value of the human being (as dispersed in *finite* credit relations though money) – in the conceptualization of his *Philosophy of money* (1900). Better, within Simmel's *Lebensphilosophie*, it is not religion but *religiosity*, as an existential and social form, the basic form in which the «entire existence [*Dasein*] expresses itself in a particular tonality»[46] to explain his understanding of money as incorporating *any* value (i.e. anything potentially object of reciprocal trust) as «pure energy», «pure relation»[47].

In fact, Simmel pays particular attention to the two basic social forms of religiosity, and namely: (1) belief or social trust, and (2) the experience of social unity.

(1) As already argued in this article, *credere* ('to believe', 'to trust' in the Latin language) belongs to the essence of money as well as of religion: believing in somebody means giving them personal/economic credit, which reflects the trust that they will return what has been lent; to believe in God corresponds to the faith in afterlife salvation. «In social relations, we time and again believe in the validity of someone's judgment or in another person's sincerity… This belief implies that one relies on someone without further questions, convincing reasons or proofs of evidence»[48].

(2) At the same time, this *finite* bond in social relations necessarily lies in the experience of social unity, through an «ambivalent feeling of belonging and not–belonging»[49], where each single «story of (personal) credit» and risk melts in a spiritual «story of *infinite* faith» in the social unity to which one belongs, and then hope that is also expressed in the spirituality of religion. «The individual feels connected to something general, higher, from which he flees and in which he flees, […] from which he differs and that yet he is also identical with»[50].

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[46] SIMMEL, *Gesammelte Schriften zur Religionssoziologie*, Berlin, 1989 (originally published in 1906/1912), 113, as quoted by LAERMANS, *The ambivalence of religiosity and religion: a reading of Georg Simmel*, in *Social Compass*, 53 (4), 2006, 482.

[47] Although Simmel's writings on religion and religiosity cover only a small part of his total scholarship, they certainly offer deep insights into his approach to sociological research. «His *Gesammelte Schriften zur Religionssoziologie* [Collected Writings on the Sociology of Religion…], edited and published in 1989 by Horst Jürgen Helle, do not count more than 140 pages and contain several speculative essays and paragraphs that go against the grain of empirical sociology as it is practised today. The most important text is beyond any doubt the lengthy essay "Die Religion" [Religion] (Simmel, 1989: 110-171). Actually, there are two versions of this score text, the original one published in 1906, and the expanded definitive version published in 1912 and written at the request of the famous Martin Buber» (LAERMANS, *The ambivalence of religiosity and religion…*, op. cit., 480).

[48] LAERMANS, *The ambivalence of religiosity and religion…*, op. cit., 484.

[49] ID.

[50] SIMMEL, *Gesammelte Schriften zur Religionssoziologie*, op.cit, 125, as quoted by Laermans, *The ambivalence of religiosity and religion…*, op. cit., 484.

It was the forgetfulness of this inescapable dialectics between *credit* as *finite* relation and *Credit* (i.e. *credere* as belief in a transcendental unity, hence *creed*) as *infinite* value (which belong to the notion of redemption, grace, beyond quantitative calculus) that has led modernity, according to Simmel, «in need of a religion that no longer situates transcendence in an autonomous sphere, cut off from mundane life»[51], that is to say in a tension where Western societies become more individualized (i.e. composed of self-interested individuals) in social interaction.

The morality underlying this *hyper-finitization* of individualized bonds can be easily seen in modern capitalism motto: «all are 'brothers' in being equally 'others'»[52], as well represented by Shakespeare's *The Merchant of Venice*.

In *The Merchant of Venice* Shakespeare depicts a microcosm of economic interactions between merchants, usurers, and landlords that mirrors the cultural anxieties surrounding the birth of modern capitalism. The play, written in the 1590s, shortly after usury was legalized in England, adopts the setting of Venice as a disguised London, with the mercantile activity of the Italian city symbolizing the rise of the free market. At that time an autonomous social system emerged that was increasingly detached from ethics and religion where, beyond the (il)legitimacy of usury (Shylock), even the interactions between property (Portia) and profit (Antonio) were governed by self-referential norms. In this way, since its origins modern capitalism adopted its *own* religiosity where the triumph of the individual substitutes the community, sacredness is disintegrated into a myriad of market exchanges (a pound of flesh is demanded as the surety for a loan), and the legitimacy of the economic system is increasingly dis-embedded from ethical and religious values.

Hence, in a *society* where all are brothers in being equally others, not only the practice of interest as evaluation of risk-shifting among (social) strangers becomes *moral*, but *credit* becomes itself impersonal, i.e. detached from the person: «the word [credit] now served to endow the untrustworthy thing – the loan – with the qualities of the person who could be trusted»[53].

At the same time, embracing the concept of Simmel's religiosity, in the Christian Western society the experience of social unity does persist today in a God whose *infinite* grace has been *credited* on humanity's account. Without this certainty – the Western story of redemption and grace –, modern capitalism would have not safely reigned in economic affairs for centuries. In other words, it is the Christian God, as *infinite Debtor* of grace, to foster social unity in the religiosity of Western society, over the *finite credits* (social bonds) of modern capitalism.[54]

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[51] LAERMANS, *The ambivalence of religiosity and religion…*, op. cit., 479.

[52] NELSON, *The idea of usury…*, op. cit.

[53] HOWELL, *Commerce before capitalism in Europe, 1300-1600*, op. cit., 28.

[54] The present description of God in the West as *infinite debtor* (of grace) takes inspiration from SINGH, *Sovereign debt*, in *Journal of Religious Ethics*, 46 (2), 2018, 239-266. As explained by Singh in

Till this point of the article, we have seen how modern capitalism and his money as «part of a distinctive way of imagining the real» (to quote, again, Geertz[55]) has shaped the financial growth of the West in the last centuries. But, as already mentioned, what is significant in recent global history is the emergence of an alternative model of economic dealings coming from a non-Western and non-Christian civilization: the Muslim world, with the development of the Islamic financial market.

Islamic finance has grown at an impressive rate from the 1960s, covering both banking and insurance business (the industry of *takaful*), as well as offering alternative financial products (so called *sukuk*) in capital markets[56]. Recently, following the new trends of the global economy, Islamic crowd-funding platforms, FinTech instruments and Islamic cryptocurrencies have also appeared.

Academic literature on Islamic finance is today enormous (from political science[57] and legal studies[58] to anthropological research[59]), and usually centred in the intrinsic *morality* of Islamic economic teachings: in particular, the prohibition of interest (in Arabic, *riba*); the prohibition of excessive speculation (*gharar*) or gambling (*maysir*); the ban of illicit investments for Islamic religion (e.g. alcohol, pork, pornography…). Authors that have concentrated on the operative mechanisms of Islamic finance have also underlined how its logic determines a departure from risk-trading (hence risk-shifting, i.e., *debt*: see previously) to risk-sharing (i.e. *equity* structures)[60]: hence, a (supposed) restoration of a 'community' (*Gemeinschaft*) of credit, against the 'society' (*Gesellschaft*) of modern capitalism, has been implied[61].

However, apart from the rhetorical claim of the ethical nature of Islamic

his article, in Christian thought «[n]ot only does God appear to uphold debt logic, but God… becomes identified with debt and marked as a debtor. The divine sovereign as debtor and as enforcing debt provides cues for earthly sovereigns and legitimates cultures of debt». For a broader investigation about how «early Christian thinkers made use of monetary and economic concepts as they created Christian doctrine, and how this close relationship between theology and money has lent a sacred aura to economics as it developed in the West», please refer, again, to SINGH, *Divine currency: the theological power of money in the West*, Stanford, 2018.

[55] GEERTZ, *Local knowledge: fact and law in a comparative perspective*, op. cit., 184.

[56] For a general introduction, AYUB, *Understanding Islamic finance*, Chichester, 2007 (see here, note 7).

[57] E.g., WARDE, *Islamic finance in the global economy*, Edinburgh, 2000; TRIPP, *Islam and the moral economy: the challenge to capitalism*, Cambridge, 2006.

[58] One of the first seminal contributions to the field was VOGEL - HAYES, *Islamic law and finance. Religion, risk and return*, The Hague, 1998.

[59] E.g., MAURER, *Mutual life, limited: Islamic banking, alternative currencies, lateral reason*, Princeton, 2005; RUDNYCKYJ, *Economy in practice: Islamic finance and the problem of market reason*, in *American Ethnologist*, 41 (1), 2014, 110-127.

[60] The title of the volume by Askari *et al.* is quite revealing on the point: ASKARI *et al.*, *Risk sharing in finance: the Islamic finance alternative*, Singapore, 2012.

[61] CATTELAN, *"Equal for equal, hand to hand": comparing Islamic and Western money*, op. cit.

finance since grounded in Islamic religion[62] and the divergence between its theory and practice[63], one may raise a more critical approach towards the 'Islamic alternative to mainstream capitalism' by referring to the aforementioned concept of *religiosity*, as used by Simmel, both in terms of (1) 'belief / trust' and (2) experience of social unity[64], as located within the hermeneuts of the 'money kite' (section 1).

In fact, if there is no doubt that the rise and global spread of 'Islamic finance money' certainly relates to a post-colonial reconstruction of the identity of the Muslim world, hence becomes functional to the recognition of *brothers* in the Muslim faith (in terms of (2) social unity), some reluctance can be advanced about the capability of Islamic *risk-sharing* to defeat the conceptualization of the *other* in economic (1) belief / trust, due to the impersonalised nature of the current financial markets. The operativity of Islamic risk-sharing follows today standards of the global market that substantially impede (if not at the level of microcredit and local enterprises) to restore the (local) communities (in the sociological sense of *Gemeinschaft*, hence of a community-oriented risk management in form of mutuality and cooperation) of merchants that existed in the Muslim (as well as in the Christian) Middle Ages.

At the same time, by applying the 'money kite' approach, one may also recognize how the study of Islamic finance (both by its Muslim promoters, and non-Muslim critics) has been deeply affected by a conceptual displacement (i.e., a substantial lack of a 'centre of gravity' in the assessment of the nature of the 'kite') in favour of the corners of morality and religion (as transcendental entity, deprived of its social manifestations as in Simmel's *religiosity*). More precisely,

- if, on the one side, the religion-backed reputation of Islamic financial institutions has usually offered a corresponding 'moral advantage' in their perception from the market as socially responsible investors, hence facilitating the claim that they can contribute to the advance of social finance (pushing on the 'corner' of religion *against* those of economics and finance, and so removing a critical perspective on the morality of their results);
- on the other side, no in-depth analysis has been undertaken about the relationship between the 'corners' of Islamic religion and finance as necessarily connected (next to morality and economics) in the 'money kite'. Indeed, if one assumes that Christianity allows an equilibrium between dispersed *finite credit* and a unified *infinite Credit* (God's promise of redemption), can the *debt/Debt* logic structure that belongs to Christianity been replicated in Islam, whose theology assumes, in reverse, a God who

[62] CATTELAN, *Islamic finance and ethical investments. Some points of reconsideration*, op. cit., see in this article, note 19.

[63] EL-GAMAL, *Islamic finance: law, economics, and practice*, Cambridge - New York, 2006.

[64] NELSON, *The idea of usury*…, op. cit., see previously.

is the *only* original (and final) sovereign, *Proprietor* and beholder of all the creation?

The next two sections of this article will be dedicated respectively

- to identify how much risk-sharing in Islamic finance is socially oriented (hence, with a socially responsible, ethical, moral dimension: the side morality + religion of the 'kite') (section 4),
- and to offer some final critical reflections on the relationship between *credere*, credit and money (the side religion + finance) both in Islam and in Western capitalism (section 5).

4. Does risk-sharing imply social impact? Finance, moral economy, and Islamic creed

«Those who consume interest cannot stand [on the Day of Resurrection] expect as one stands who is being beaten by Satan into insanity. This is because that say, "Trade [just] like interest [*riba*]". *But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] – those are the companions of the Fire; they will abide eternally therein».* (Q. 2:275)

Verse (*ayah*) 275 of the second chapter (*Surah al-Baqarah*) of the Qur'an is usually quoted to summarize (especially with reference to the passage: «Allah has permitted trade and has forbidden interest [*riba*]») one of the core operative concepts of Islamic finance: the prohibition of interest as source of profit and remuneration of capital.

From an economic and financial perspective, this prohibition necessarily implies the departure from *debt* as a source of financing in favour of *equity* (or equity-like structures), i.e. a conceptual reformulation of risk-shifting (with interest as profit for the 'trade of money') in the light of *risk-sharing*, and thus profit- and loss-sharing as consequent feature of any enterprise and business managed in accordance with *Shari'ah*.

This does not mean that Islamic financial institutions (banks, insurance, investment funds, ...) always undertake partnerships with financers, clients (commercial enterprises or common people in need for a financing) and suppliers, through contracts such as *musharakah* or *mudarabah* (the Arabic terms, respectively, for a full partnership and a silent partnership agreement). Precisely, what the Qur'an requires is *trade* instead of *interest* (as the Arabic term *riba* is usually translated)[65]: and legitimate trade, as an activity performed in the real

[65] The meaning of *riba* (which covers both usury and interest, as well as any kind of illicit gain based on a quantitative disequilibrium in the transaction, when things belonging to the same genre are exchanged one for the other) is investigated in SALEH, *Unlawful gain and legitimate profit in Islamic*

economy[66], can involve

- a variety of sales and exchange contracts (e.g. *murabaha*, mark-up double sale; *salam*, forward sale with prepaid price),
- as well as of rent, hire, labour and leasing agreements (e.g. *ijarah*, lease or hire contract; *istisna'*, commission to manufacture).

Embracing this notion of legitimate trade, Islamic financial institutions can provide today, next to participatory engagements as mentioned above (*musharakah* and *mudarabah*), all the products and services that are available in the conventional market through their own *alternative* finance model. Islamic financial certificates (so-called *sukuk*) replicate these contractual structures in the capital market, following criteria of *Shari'ah* compliance[67]. It is significant to note that, as previously mentioned, the Islamic financial market has also developed alternative tools for the management of uncertainty (*gharar*)[68] through the industry of mutual insurance (*takaful*).

Apart from the effective application in Islamic finance of *risk-sharing* instead of trade as exchange (in the light of what has been summarized above),[69] what is relevant for our discussion is to note how much in both Muslim and non-Muslim narratives[70] about Islamic finance risk-sharing is presented as *vehicle per se* of some sort of 'social impact', potentially preferable to interest-based instruments for

law: riba, gharar and Islamic banking, II ed., London, 1992, is still today a very useful source. See also, CATTELAN, *From the concept of haqq to the prohibitions of riba, gharar and maysir in Islamic finance,* in *International Journal of Monetary Economics and Finance*, 2 (3/4), 2009, 384-397.

[66] On the centrality of the 'real economy' as a parameter for the validity of Islamic financial transactions, in relation to the features of Islamic property rights, please refer to CATTELAN, *Legal pluralism, property rights and the paradigm of Islamic economics*, op. cit.; CATTELAN, *L'economia islamica: alternativa apparente o reale?*, op. cit. For a critical perspective about what is 'real' in Islamic finance, BEEFERMAN - WAIN, *Getting real about Islamic finance*, 2016, available at SSRN: https://ssrn.com/abstract=2849286 (accessed 25 July 2024).

[67] For the description of all the contracts and financial structures in use in the Islamic financial market, please refer, again, to AYUB, *Understanding Islamic finance*, op. cit., and VOGEL - HAYES, *Islamic law and finance. Religion, risk and return*, op. cit. For a critical approach to the concept of *Shari'ah* compliance, please refer to CATTELAN, *The Typewritten Market*: *Shari'ah-compliance and securitisation in the law of Islamic finance*, in *Arab Law Quarterly*, 35 (1-2), 2021, 74-91.

[68] Recently, on the matter, MOHD NOH – NOR AZELAN – ZULKEPLI, *A review on gharar dimension in modern Islamic finance transactions*, in *Journal of Islamic Accounting and Business Research*, 2024 (available online; accessed 24 August 2024).

[69] It is well-known that, despite the theoretical preference for participatory contracts, exchange (non-participatory) contracts shape, in practice, most of the transactions in Islamic finance. This is due for a variety of reasons related to risk and credit management procedures (more liquidity; reduction of operational risk; less moral hazard in the provision of financing and so on), and do not violate Islamic principles (according to which, as said in the main text, legitimate 'trade' – as opposed to *riba* – is the pillar of any good market).

[70] I am using here the word 'narrative' in the sense of the standard presentation of Islamic finance in relation to the argument of its 'moral advantage', as still widespread in academic literature as well as in the practical operativity of the market. The adjectives 'Muslim' and 'non-Muslim' indicate that similar patterns of this 'narrative' can be found both in intellectual circles fostered by Islamic religion connotations and outside them.

socially responsible investments and economic empowerment.

However, from an economic and financial perspective, as mentioned above, risk-sharing (*equity*) is simply an alternative to risk-shifting (*debt*): in terms of corporate governance, both represent potential sources of financing for an undertaking, with related issues of credit and risk management. Indeed, from a historically perspective, Abraham Udovitch has shown that the Muslim *mudarabah* (silent partnership) was the ancestor of the European *commenda*, the medieval original contract for all the partnership business agreements that are today spread in the West, and that the *mudarabah* entered Europe through Mediterranean contacts with the Near East[71]. In a similar way, *sukuk* (pl. of *sakk*) in medieval Islam indicated any 'credit document' or 'certificate' and were absorbed in the European *lex mercatoria* to become later the 'cheque' of French law (not by chance, phonetically *sakk* corresponds to cheque)[72]. Anyway, despite this common 'Mediterranean cradle' and its corporate governance 'neutrality' in comparison to debt, the *morally superior status* of risk-sharing has been persistently argued in the Islamic finance narrative

- both as a model of credit management that is preferable to interest-based capitalism (although interest, *per se*, reflects a logic of protection towards the unknown *other* that bears its own morality: section 2)
- and as a community-oriented way of managing risk in forms of mutuality/cooperation, as if the rediscovery of the model of *Gemeinschaft* would immediately imply stronger distributive justice (section 3).

In fact, none of the previous two postulates can be deemed intrinsically true, without the setting of appropriate arrangements for the pursuit of economic justice.

In this regard, recent history has shown how mechanisms of micro-credit aimed at local economic empowerment have been successfully managed through funding repaid with interest, as in the famous case of Grameen Bank by Muhammad Yunus[73]. Furthermore, the link between risk-sharing and community-development, if certainly can be subscribed in terms of the potential advantages of social capital and collaborative governance, require a balanced intervention and the consideration of the role of states and markets for optimal results. More precisely, as underlined by Mertzanis, if «[t]he term community makes it clear that understanding trust, cooperation, generosity and the behaviours emphasized in the social capital literature requires the study of the structure of social interactions, … [it also] underlines the fact that the same individuals will exhibit different levels and types of social capital depending on

[71] UDOVITCH, *Partnership and profit in medieval Islam*. Princeton, 1970. See also UDOVITCH, *At the origins of the Western commenda: Islam, Israel, Byzantium*, in *Speculum*, 37, 1967, 198-207.

[72] A brief outline of the history of risk shifting from Islam to Europe can be found in ÇIZAKÇA, *Risk sharing and risk shifting: an historical perspective*, in *Borsa Istanbul Review*, *14*(4), 2014, 191-195.

[73] YUNUS, *Banker to the poor. The story of the Grameen Bank*, London, 2003.

the social interactions in which they are engaged»[74]. The lack of automatic correlation between Islamic finance and social impact can be also inferred from the recent development of the literature on Islamic social finance, which indirectly shows how the notion of risk-sharing (certainly embedded in the paradigm of Islamic finance) requires, to have real social impact, specific policies, instruments as well as political energies to be put in practice[75].

This critical approach has started appearing also from the practitioners of the market, who recognize that «Islamic economy's growth should not be measured by the accumulation of wealth, but by the positive social impact that this wealth leaves. Money by itself is not wealth, but a means through which we can create a system of production and trade, which creates social impact in sectors like knowledge, health, education and infrastructure»[76].

Last but certainly not least, the non-immediate overlap between Islamic finance and social finance emerges from a document co-authored by the United Nations Development Programme, Istanbul International Centre for Private Sector in Development (IICPSD) and the Islamic Research and Training Centre of the Islamic Development Bank Group (IDB), entitled *I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals*.

The report, taking as background the *2030 Agenda for sustainable development*[77], announces the establishment of a partnership between the two institutions in the form of a new Global Islamic Finance and Impact Investing Platform (GIFIIP). Accordingly, «[t]he overall goal of the GIFIIP is to accelerate progress towards the Sustainable Development Goals (SDGs) by positioning Islamic finance and impact investing as (a) leading enabler(s) of SDG implementation across different parts of the globe through engaging the private sector. It is important to note that the concept of impact investing is also in line with the objectives and strategy of the IDB's 10-year framework. To facilitate the process of achieving this goal, this report, "Blending Islamic Finance and Impact Investing for the Global Goals" aims to raise awareness of the compatibility between Islamic finance and impact investing. The report is therefore an indisputably major hallmark for solid collaboration between both sectors. It also reviews recent developments and key factors for growth; pinpoints similarities between the two sectors; and formulates policy recommendations for development actors to create the conditions for the two sectors to benefit from each other»[78].

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[74] MERTZANIS, *Collaborative governance, social capital and the Islamic economic organization*, in CATTELAN (ed.), *Islamic social finance: entrepreneurship, cooperation and the sharing economy*, Abingdon, UK - New York, US, 2019, 55.

[75] See, for instance, CATTELAN (ed.), *Islamic social finance: entrepreneurship, cooperation and the sharing economy*, Abingdon, UK - New York, US, 2019.

[76] The comment was made by Hussain Al-Qemzi, EIBFS (Emirates Institute for Banking and Financial Services) Chairman: AL-QEMZI, *The social impact of Islamic finance*, in *EIBFS News*, 2016, 1.

[77] UNITED NATIONS, *Transforming our world: the 2030 agenda for sustainable development*, op. cit.

[78] IICPSD - IDB, *I for impact: blending Islamic finance and impact investing for the global goals*, 2017, 9, available online (last accessed 8 July 2024).

Interestingly, the report does not offer valuable statistical data about the current overlap between Islamic finance and social impact, but suggests a way forward, by referring to Islamic finance as a «more ethical market»[79], and so indirectly assuming again that risk-sharing (*equity*) enjoys a *higher moral status* than risk-shifting (*debt*).

It is this intersection between the narrative of the inherent social nature of Islamic finance through risk-sharing and its intrinsic ethical/religious background to be particularly puzzling, as if this background would be purposively able by itself, and without the need to consider decisive elements of corporate governance and social capital structure, to provide major economic equality, empowerment and welfare.

In fact, this assumed overlap should also be read in a comparative perspective with the morality of modern capitalism, where the *credit* conceptualization of trust towards the *other* (as the 'new' *brother* in the capitalist system[80]) seems to be sustained by the social unity of Christian *Credit*: the absolute value of the human being in the religious conceptualization of the *Credit* par excellence, God's grace.

In the end, the distance of Islamic finance from conventional capitalism (if *beyond* the surface of the latter strong theological assumptions can be found, while *over* the surface of Islamic finance religious tenets are, in reverse, proudly declared) may be better interpreted only by 'closing' the rectangle of the 'money kite' on the 'sides' of religion and finance, and by looking at the two resulting 'kites' through a comparison West / Islam through evaluating how the cultural differentiation between Western money and Islamic money operates.

That is to say (this is my suggestion),

- first by showing how the 'side' religion + finance in Islamic money re-elaborates the *Credit* religiosity of the *spirit* of conventional capitalism in terms of *Ownership*, hence moving somehow from a 'contract law' to a 'property law' religious background for finance and economics in the morality of the market;
- second, by highlighting how, if the 'side' religion + finance differently characterizes Western (Christian?) and Islamic money, it is the persistence of a practice of cultural differentiation between the West and the East, which belongs to modernity itself, that keeps representing the non-Western (non-modern) *Ownership* religiosity of the market of Islamic finance not as it was a *spirit*, but following the plot of a *ghost* story: the (in)famous story of Orientalism[81].

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[79] ID., 47.
[80] NELSON, *The idea of usury*…, op. cit.
[81] SAID, *Orientalism*, op. cit.

5. The *spirit* of capitalism and the *ghost* of Orientalism: trust, money, and religion in the differentiation culture of modernity

The deep interconnection between religion and money that has been at the background of this article in relation to the notion of trust, so to provide a more critical understanding of the notion of risk-sharing in Islamic finance and its (supposed) social impact, appears in a more immediate way if one looks at the etymological origin of the word 'finance'.

As explained by the Oxford English Dictionary, the term derived directly from the old French *finance*, noun of action of the verb *finer* (*finir* in contemporary French), meaning «to end» and so, consequently, «to settle (finish, conclude) a dispute or a debt»[82].

To put an end to a *credit* relation through *finance*, as an expression of secular *life*, matches a religiosity whose *Life* (as social unity) mirrors, in Christianity, the end of human life. In the same way, the perpetuation of the social relation through money in an «endless cycle of extensions and intensifications of value»[83] corresponding to an *Afterlife* conceived in Christian religion as the infinite *Credit* promised by God, *Debtor* of salvation.

Thus, both in Weber's *spirit* of capitalism (1958)[84] and in Simmel's *religiosity* of money (1989 and 1990)[85], «debt [becomes central] as a structuring principle in key soteriological traditions within Christian thought. Not only does God appear to uphold debt logic, but God... becomes identified with debt and marked as a debtor. The divine sovereign as debtor and as enforcing debt provides cues for earthly sovereigns and legitimates cultures of debt»[86].

If this religiosity of *Credit* can summarize the relation religion + finance that belongs to the *spirit* of capitalism in the West, one can reasonably doubt that the same religiosity affects the conceptualization of risk-sharing in Islamic finance, for at least three reasons.

First, the concept of original sin does not exist in Islam: so, there is no conceptual idea of some sort of inherited *debt* towards God from which the human being should be liberated (for which *Credit* has been given). In fact, Islam teaches that Adam and Eve sinned, but then sought forgiveness and were forgiven by God (Q. 20:121-122: «… Thus did Adam disobey his Lord, so he went astray. Then his Lord chose him, and turned to him with forgiveness, and gave him guidance»).

Second, in Islam there is no strong significance about the concept of

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[82] OXFORD ENGLISH DICTIONARY, online version at http:// www.oed.com (last access 10 June 2024).

[83] BLUMENBERG, *Money or Life: metaphors of Georg Simmel's philosophy*, op. cit., 249; also quoted in Section 2 of this article.

[84] WEBER, *The Protestant ethic and the spirit of capitalism*, op. cit.

[85] SIMMEL, *Gesammelte Schriften zur Religionssoziologie*, Berlin, 1989, op. Cit.; SIMMEL, *The philosophy of money*, London, 1990, op. cit.

[86] SINGH, *Sovereign debt*, op. cit., 239 (see also, in the present article, note 54).

redemption (in fact, there is no need *a priori* for redemption without original *debt*): accordingly, the *Credit* of grace becomes substantially marginal. From a theological stance, «[even] [i]f we do find in Islam the concept of redemption, in various shapes and formulations… we have to define these phenomena as marginal, transitory and certainly not essential in Islam»[87].

Third, moving towards a dimension of economic theology, I suspect that, to properly understand the *spirit* of Islamic finance (in Weberian terms) and which rationales foster *its own* notion of risk-sharing, one should preliminarily move from a contract law-[88] to a property law-religiously connoted financial model to understand the morals of the Islamic market. In fact, *there*, in Islam, the 'money kite' of financial religiosity seems to be built more on *Ownership* rather than *Credit* structures.

Being Allah the only Creator and Owner of everything that exists, economic actors in an Islamic financial system do not hold «separate portions of economic justice» as individual *credit* positions, but they, on the contrary, «participat[e] in the unique divine justice… by *sharing* economic resources»[89]. *Rectius*, by holding *temporary property* positions as entrusted by God (the concept of *khalifah* as vice-regent of God on earth is central in Islamic finance), for which they are claimed responsible as trustees.

This paramount shift in eco-religious anthropology implies that if «all are 'brothers' in being equally 'others'»[90] in the (Christian) *spirit* of capitalism, in an (Islamic) *spirit*, instead, «all are 'brothers' in being equally 'entrusted' by Allah».

Each of these *property* relations (somehow *owed* to God, and *not due* to an equal 'other') melt in the all-encompassing *Ownership* position that belongs to Allah, who becomes in this social landscape (the space of Islamic money) the Maintainer *par excellence*, the Provider[91] of any result of a successful economic enterprise, affecting the anthropology of risk and time in the horizon of Islamic finance.[92] Correspondingly, this also defines the understanding of risk-sharing, whose 'morality' does *not* actually refer anymore to the social impact of the investment (as remarked in section 4), but more precisely to a balanced allocation of resources given by God through the legitimate trade of *properties* (from which the centrality

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[87] LAZARUS-YAFEH, *Is there a concept of redemption in Islam?.* in WERBLOWSKY - BLEEKER (eds.), *Types of redemption*, Studies in the History of Religions XVIII, Leiden, 1970, 180.

[88] In this regard, I made the attempt to investigate Islamic contract law in relation to religion in the volume CATTELAN, *Religion and contract law in Islam: from medieval trade to global finance*, Abingdon, UK - New York, US, 2023.

[89] CATTELAN, *Introduction. Babel, Islamic finance and Europe: preliminary notes on property rights pluralism*, in CATTELAN (ed.), *Islamic finance in Europe: towards a plural financial system*, Cheltenham, UK - Northampton, MA, 2013, 7.

[90] NELSON, *The idea of usury,* op. cit.

[91] Both 'Provider' and 'Maintainer' are among the ninety-nine names of Allah in Islamic religion.

[92] On this specific point, please refer to CATTELAN, *In the Name of God: managing risk in Islamic finance*, in *IANUS – Diritto e Finanza*, 26, 2022, 149-164.

of the real economy in Islamic economics derives) and by avoiding *riba* as a cause of imbalance of the all-encompassing *Ownership* that belongs to Allah.

To sum up some ideas expressed in these pages, a quotation from a book on the relationship between faith and money in times of financial crisis[93] may be particularly useful. As far as the general description of its contents, the book tells us that «[m]oney facilitates the rites and rituals we perform in everyday life. More than a mere medium of exchange or a measure of value, it is the primary means by which we manifest a faith unique to our *secular* age. But what happens when individual belief (*credo*, 'I' believe) and the systems into which it is bound (*credit*, 'it' believes) enter into crisis? Where did the sacredness of money come from, and does it have a future? Why do we talk about debt and repayment in overtly moral terms? How should a theological critique of capitalism proceed today?»[94]. The interconnection between *credo* ('religion') and *credit* ('finance') is examined in the volume in terms of a theological critique to capitalism, in the light of the persistent effects of the 2008 economic *crisis*.

Similarly, in these pages we have observed how the interaction between money and religion (*credere* as *creed*) shapes the notion of trust in the morality of modern capitalism, through the exchange of impersonal *credit*, in a multiplicity of *finite* relations, that are 'backed' by the *infinite Credit* promised by God in Christianity. The comparative approach with Islamic finance has further revealed more about the religion + finance postulates of Western capitalism, whose mechanisms of *risk-shifting* do not correspond to the religious tenets of Islamic *risk-sharing*, grounded in Allah's *infinite Ownership* of all the creation, and then the *entrustment* of the human beings in their property rights.

But, if *both* Western capitalism and Islamic finance have a religion + finance background, why is *our* faith in the *spirit* of capitalism conceived as secular, while *their* faith in the *spirit* of Islamic finance is perceived as religious, with the consequent assumption of a social impact for Islamic risk-sharing?

To a certain extent, the question refers to issues beyond religion + finance methodology, tackling the epistemological problem of global knowledge production in social sciences[95], hence the postcolonial critiques of Eurocentrism with the claim of the universalism of Western modernity. The way through which we look at the Western 'money kite', through the lenses of the differentiation culture West *vs.* East, is deeply affected by an assumption of secularism («our *secular* age», in the extract above) which reflects in our mind the construction of a European modern world where 'finance' + 'economics' are products of *rational* actors, while 'morality' and 'religion' belong to the spiritual (and somehow sovra-

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[93] TYNAN - MILESI - MÜLLER (2017, eds.), *Credo credit crisis. Speculations on faith and money*, op. cit. (see section 1). The title of this book, not by chance, gave original inspiration for the title of this article too.

[94] ID.

[95] On the subject, KEIM - ÇELIK - WÖHRER (eds.), *Global knowledge production in the social sciences: made in circulation*, London - New York, 2014.

rational, or even irrational) human nature. On the other side, and in reverse to the *rational* construction of the Western identity in modern times, we tend to look at the Islamic 'money kite' as intrinsically 'moral' and 'religious', with the consequent risk of losing the barycentre of the kite as if its flight would have been haunted by a *ghost* and not managed by a *spirit*.

It is in the cultural *de*-construction of this antithetical relation between the (rational and secular) *spirit* of capitalism[96] and the (irrational and spiritual) *ghost* of Orientalism[97] that the representation of Islamic finance (both in the Occident and in the Orient) may find a clearer horizon to make its kite fly in a more balanced way. Since money (like law), in the end, «here [in the West], there [in the East], or anywhere, is [always] part of a distinctive manner of imagining the real»[98].

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[96] WEBER, *The Protestant ethic and the spirit of capitalism*, op. cit.

[97] SAID, *Orientalism*, op. cit.

[98] I paraphrase here, again, Geertz's depiction of law as a cultural entity: GEERTZ, *Local knowledge: fact and law in a comparative perspective*, op. cit., 184.