

# Compound Interest: Financial Weapon of Mass Destruction

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US Federal debt (It stood at 10 trillion dollars prior to the crisis)

## How would you define the economic challenges facing us today?

In the heartland of capitalism, there is financial meltdown. In the Third World, millions are already suffering the ravages of a global food crisis caused by high prices.

Despite staggering advances in technology and human knowledge, despite the fact that the development of human society has brought humanity to a historic threshold where it is now possible not only to overcome scarcity and exploitation but also to forge social arrangements where human beings can truly flourish—despite all of this potential, social and economic life are under painful duress and the ecosystems of the planet gravely threatened. It is not for lack of resources or knowledge.

It is the result of the workings of a system driven by vicious competition and the blind accumulation of profit based on exploitation—and backed by massive military force.

This system is a horror and a failure and has inherent defects that will ensure the continuation of this horror until a new system is adopted.

### **Is it necessary for humanity to live this way?**

Is there another way? Is it possible to take hold of the productive resources of society and to develop and deploy them in a rational, planned, and society-wide way to meet human needs and to safeguard the planet? It is possible to establish a radically different kind of economic system and to create a society based on absolute and universal justice. The question of a revolutionary change be it socialism, communism or the introduction of a new world order could not be more relevant...and more urgent.

The International Monetary Fund (IMF) agrees. In a Toronto Star article of December 16, 2008 titled IMF official warns of more public unrest. The writer states, "There will be growing social unrest unless the financial system is reorganized to benefit everyone and not just a small group of elite."

This reorganization must replace the old system; depriving the old ruling class of their political-economic-military power; and creating a new power with new aims and new objectives and the means to implement those aims and objectives.

As serious as this most recent crisis is, with all the havoc it is wreaking, the system will not automatically collapse on its own. Absent an alternate system, capitalism will put itself back together—in its own image and at unimaginable social and ecological cost.

This is a dangerous situation. Things can change very quickly. The system is revealing much about its basic nature and instability. Bigger jolts may come and outrage may suddenly grow and give rise to protests or a complete breakdown of civility. We may be wise to look at Revealed scriptures for direction on this issue instead of recreating manmade systems based on greed. Islam offers very comprehensive guidelines that can get us out of the economic and ecological abyss. **But will anyone listen?**

### **The History of Usury**

In Jewish scriptures, charging interest was forbidden between "brothers" but was allowed in dealings with "foreigners." (See, for example,

Deuteronomy 23:19, "You must not make your brother pay interest," and 23:20, "You may make a foreigner pay interest, but your brother you must not make pay interest.")

The practice of usury – lending money and accumulating interest on the loan – can be traced back 4,000 years. But it has always been condemned, despised or banned outright.

During the life time of the Holy Prophet Muhammad<sup>saw</sup>, forbiddance of usury became established. This stance was reinforced by the teachings of the Holy Qur'an, in the 7<sup>th</sup> century.

"O ye who believe! devour not interest involving diverse additions; and fear Allah that you may prosper." (Al Quran 3:131)

The prohibition of usury was adopted by the earliest Christian Church, following on from Jesus' expulsion of the money-lenders from the temple. The Roman Catholic Church of the 4th century AD banned the clergy from charging interest, a rule that was later extended in the 5th century to the laity.

It was also a crime under Old English law until the sixteenth century, when Martin Luther redefined the offense of "usury" to mean the taking of "excess" interest.

The present debt...interest based economy began with the inception of the Bank of England in 1694.

### **Is the banking system in reality a Ponzi scheme?**

"All the king's horses and all the king's men cannot put the private banking system together again, for the simple reason that it is a Ponzi scheme that has reached its mathematical limits. A Ponzi scheme is a form of pyramid scheme in which new investors must continually be sucked in at the bottom to support the investors at the top. In this case, new borrowers must continually be sucked in to support the creditors at the top. The Wall Street Ponzi scheme is built on "fractional reserve" lending, which allows banks to create "credit" (or "debt") with accounting entries. Banks are now allowed to lend from 10 to 30 times their "reserves," essentially counterfeiting the money they lend. Over 97 percent of the U.S. money supply (M3) has been created by banks in this way."<sup>1</sup>

### **How is Money Created out of Thin Air?**

"But under existing laws, the banking system then makes the leap of assuming that because they have money which can be lent, they have a right to lend much more than they actually possess. Somehow they have become fit practitioners of the fractional reserve banking system whereby, as described above, they can lend simply by creating debits in their computers, based on some ratio between their capital stock and their lending ceiling.

But if bankers can do this, why can't you or I? If I have \$1,000, why can't I then lend \$10,000 and collect the corresponding interest? The answer is that a bank has a government charter and supposedly can guarantee through various safeguards that the people to whom it lends can repay. But the fact is that banks can only be created by people who are already rich, can put up some initial capital, build a functioning business, and obtain the government charter mentioned above. Once they do this, they are the masters of the world.

But these principles are poorly recognized. Money, and therefore credit, is viewed as private property, even though most of it, as stated previously, is made by banks 'out of thin air.' It is no exaggeration to say that the existing system is one whereby the financial elite has confiscated and privatized the most important public resource of all, more important than water, land, electric power, etc. This has resulted in much of the world's wars, and poverty."<sup>2</sup>

Whatever you pay as interest that it may increase the wealth of the people, it does not increase in the sight of Allah; but whatever you give in Zakat seeking the favor of Allah — it is these who will increase *their wealth* manifold. (Al Quran 30:40)

### **The spiraling interest problem. How can a financial system based on interest work?**

To make my point here I collect quotes from four different sources.

"The problem is that banks create only the principal and not the interest necessary to pay back their loans. Since bank lending is essentially the only source of new money in the system, someone somewhere must continually be taking out new loans just to create enough "money" (or "credit") to service the old loans composing the money supply. This spiraling interest problem and the need to find new debtors has gone on for over 300 years -- ever since the founding of the Bank of England in 1694 – until the whole world has now become mired in debt to the bankers' private money monopoly."<sup>3</sup>

As British financial analyst Chris Cook observes:

"Exponential economic growth required by the mathematics of compound interest on a money supply based on money as debt must always run up eventually against the finite nature of Earth's resources."<sup>4</sup>

"The parasite has finally run out of its food source. But the crisis is not in the economy itself, which is fundamentally sound – or would be with a proper credit system to oil the wheels of production. The crisis is in the banking system, which can no longer cover up the shell game it has played for three centuries with other people's money."<sup>5</sup>

"The business cycle is essentially a financial cycle. Upswings tend to become economy-wide Ponzi schemes as banks and other creditors, savers and investors receive interest and plow it back into new loans, accruing yet more interest as debt levels rise. This is the 'magic of compound interest' in a nutshell. No 'real' economy in history has grown at a rate able to keep up with this financial dynamic. Indeed, payment of this interest by households and businesses leaves less to spend on goods and services, causing markets to shrink and investment and employment to be cut back."<sup>6</sup>

### **Money as a Public Utility**

"Rather the solution lies with the federal government taking back its constitutionally-authorized control of the credit of the nation from the financiers and managing it as previously stated—as a public utility. There is no need to eliminate capitalism, change the basis of property ownership, abolish corporations, etc., because the organization and administration of the production process is essentially irrelevant to the real problem."<sup>7</sup>

### **A Litany of Failed Rescue Plans -- Why the Banking System has Failed?**

"Credit has dried up because many banks cannot meet the 8% capital requirement that limits their ability to lend. A bank's capital – the money it gets from the sale of stock or from profits – can be fanned into more than 10 times its value in loans; but this leverage also works the other way. While \$80 in capital can produce \$1,000 in loans, an \$80 loss from default wipes out \$80 in capital, reducing the sum that can be lent by \$1,000. Since the banks have been experiencing widespread loan defaults, their capital base has shrunk proportionately."<sup>8</sup>

The 700 billion bank bailout plan announced on October 3, 2008 involved using taxpayer money to buy up mortgage-related securities from troubled banks. This was supposed to reduce the need for new capital by reducing the amount of risky assets on the banks' books. But the banks' risky assets include derivatives – speculative bets on market changes – and derivative exposure for U.S. banks is now estimated at a breathtaking *\$180 trillion* and *\$54 trillion* in credit default swaps.

"The taxpayers are already tapped out, so the Treasury's 'special deposit' will no doubt come from U.S. bonds, meaning more debt on which the taxpayers have to pay interest. The federal debt could wind up running so high that the government loses its own triple-A rating. The U.S. could be reduced to Third World status, with 'austerity measures' being imposed as a condition for further loans, and hyperinflation running the dollar into oblivion."

When the embattled banks demand a bailout because they are "too big to fail," the taxpayers can respond, "You have already failed. It is time to try something new."<sup>9</sup>

"With the "bailout", the public debt has spiraled. America is the most indebted country on earth. Prior to the "bailout", the US public debt was of the order of 10 trillion dollars. This debt is composed of outstanding treasury bills and government bonds held by individuals, foreign governments, corporations and financial institutions."

"The interest on the US government debt comes to nearly half a trillion dollars annually. The taxpayers are now on the hook for the Fed's 'enhanced liquidity facilities' as well, meaning the billions in loans that the Fed has been and will be making to an unprecedented range of financial institutions, exercising obscure provisions in the Federal Reserve Act totaling over 3 trillion dollars. We the taxpayers are paying interest to the Fed so that the Fed can use taxpayer money to bail out its banking cronies from their gambling ventures. At the very least, doesn't it seem that the Fed and the banks should be paying interest to *us* for the privilege of drawing on the national credit card?"<sup>10</sup>

### **Is the present system still feasible?**

"The U.S. federal debt has reached crisis proportions, approaching \$9 trillion in 2007. U.S. Comptroller General David M. Walker has warned that just the interest on the debt will soon be more than the taxpayers can afford to pay. He observed in 2003:

We cannot simply grow our way out of [the national debt]. . . . The ultimate alternatives to definitive and timely action are not only unattractive, they are arguably infeasible. Specifically, raising taxes to levels far in excess of what the American people have ever supported before, cutting total spending by unthinkable amounts, or further mortgaging the future of our children and grandchildren to an extent that our economy, our competitive posture and the quality of life for Americans would be seriously threatened."<sup>11</sup>

"The banking scheme itself has failed again. As was learned by painful experience during the Great Depression, the economy cannot be rescued by simply propping up failed banks. The banking system itself needs to be overhauled."<sup>12</sup>

### **Is there an Alternate System?**

"The alternative to this independent "central bank" system is what used to be called 'national banking.' A state-owned central bank issued the national currency as an agent of the government, and the government spent the money or lent it into the economy for internal development and public needs. The 'seigniorage' on this money -- the difference between the cost of creating it and its face value -- accrued to the government, which got the money debt- and interest-free. The goal of the international bankers was to privatize this system and bring it under their control. The central bank would still create the national money supply, but it would *lend* the money to the government, leaving the government with a massive debt on which it owed interest."<sup>13</sup>

Fortunately, we don't need the credit of private banks. A sovereign government can create its own.

### **"The Bailout": The US Administration is Financing its Own Indebtedness**

"Ironically, the Wall Street banks --which are the recipients of the bailout money -- are also the brokers and underwriters of the US public debt. Although the banks hold only a portion of the public debt, they transact and trade in US dollar denominated public debt instruments Worldwide.

In a bitter twist, the banks are the recipients of a 700+ billion dollar handout and at the same time they act as creditors of the US government.

We are dealing with an absurd circular relationship: To finance the bailout,

Washington must borrow from the banks, which are the recipients of the bailout.

**Rather than solving the problem, will the 'rescue' plans seem destined to make it worse?**

The October 2008 financial meltdown is not the result of a cyclical economic phenomenon. It is the deliberate result of US government policy instrumented through the Treasury and the US Federal Reserve Board.

This is the most serious economic crisis in World history.

The 'bailout' proposed by the US Treasury does not constitute a 'solution' to the crisis. In fact quite the opposite: it is the cause of further collapse. It triggers an unprecedented concentration of wealth, which in turn contributes to widening economic and social inequalities both within and between nations.

The levels of indebtedness have skyrocketed. Industrial corporations are driven into bankruptcy, taken over by the global financial institutions. Credit, namely *the supply of loan able funds*, which constitutes the lifeline of production and investment, is controlled by a handful of financial conglomerates."<sup>14</sup>

**Was the collapse of the banking system planned?**

"Knowing that at a certain juncture the pyramid of trillions of dollars of dubious sub-prime and other high risk home mortgage-based securities would come falling down, they apparently determined to spread the so-called 'toxic waste' ABS securities as globally as possible, in order to seduce the big global banks of the world, most especially of the EU, into their honey trap.

They had help. In recent testimony under oath by Mr. Lynn Turner, Chief Accountant of the Securities & Exchange Commission (SEC) testified that the SEC Office of Risk Management which had oversight responsibility for the Credit Default Swap market, an exotic market worth nominally some \$62 trillions, was cut in Administration 'budget cuts' from a staff of 146 down to 1 person.

Under President Clinton in 1999 and the leadership of Senator Phil Gramm (now co-chair of the McCain campaign), Congress repealed the Glass-Steagall Act which removed Depression-era laws separating banking,



insurance, and brokerage activities and helped pave the way for the next wave of financial integration and fraud.

In late 2000 when Gramm chaired the Senate Banking Committee, he pushed through the Commodity Futures Modernization Act which prohibited federal agencies from regulating financial products called *credit default swaps*, which have been used to back up the mortgage-based securities. The credit default swaps are the major reason for the 54 trillion dollar liabilities that are threatening financial institutions worldwide."<sup>15</sup>

"In 2003, during the height of the predatory lending crisis, the OCC Office of the Comptroller of the Currency invoked a clause from the 1863 National Bank Act pre-empting all state predatory lending laws, thereby rendering them inoperative. The OCC also promulgated new rules that prevented states from enforcing any of their own consumer protection laws against national banks."<sup>16</sup>

"The unfolding financial crisis has been arriving in wave after destructive wave. People have lost their homes, their jobs, their savings, their health, their marriages, their kids, and finally their hope."<sup>17</sup>

"In the past, Egypt, Babylon, Persia, and Rome fell when a small percentage of the population controlled nearly all of the wealth. Today, the rich have never been richer nor the poor poorer. The concentration of wealth has been achieved by conquest, as well as by one of the most powerful tools of empire, compound interest."<sup>18</sup>

### **How does the paying of interest affect the overall economy?**

"Wearing blinders to avoid confronting any reality that would suggest that banks cannot make money *ad infinitum* by selling more and more credit – that is, indebting the non-financial economy more and more – government officials such as Treasury Secretary Paulson or Federal Reserve Chairman Bernanke are professionally unable to acknowledge this problem, and it does not appear in most neoclassical or monetarist textbooks. But the underlying mathematics of compound interest are rediscovered in each generation, often prompted by the *force majeure* of financial crisis.

We have reached the Ponzi stage of the business cycle. It was the phase in which debtors no longer were able to pay off their loans out of current income (as in Stage #1, where they earned enough to cover their interest and amortization charges), and indeed did not even earn enough to pay the interest charges (as in Stage #2), but had to borrow the money to

pay the interest owed to their bankers and other creditors. In this Stage #3 the interest was simply added onto the debt, growing at a compound rate. It ends in a crash.

It is much like a tax, a monopoly rent levied by the financial sector.

### **Is Interest is much like a tax levied by the banks?**

It is a con game. Financial gains have soared since 1980, but banks and institutional investors have not used them to finance tangible capital formation. They simply have recycled their receipt of interest (and credit-card fees and penalties that often amount to as much as interest) into yet new loans, extracting yet more interest and so on. This financial extraction leaves less personal and business income to spend on consumer goods, capital goods and services. Sales shrink, causing defaults as the economy is less able to pay its stipulated interest charges.

The moral of ancient and modern history alike is that a critical point inevitably arrives at which economies either adopt hard creditor-oriented laws that impoverish the population and plunge downward socially and militarily, or save themselves by alleviating the debt burden. This attempt is necessarily in vain. No amount of money can sustain the exponential growth of debt, not to mention the freely created credit and mutual gambles on derivatives and other financial claims whose volume has exploded in recent years. The government is committed to "bailing out" banks and other creditors whose loans and swaps have gone bad. It remains in denial with regard to the debt deflation that must be imposed on the rest of the economy to "make good" on these financial trends."<sup>19</sup>

The penny invested by Augustus Caesar in 8 BC would be worth 3 trillion, trillion, trillion, trillion dollars today at 6 percent compound interest. The world only has around 100 trillion dollars in total wealth today.

The system based on compound interest can't simply work!

### **The Government plan is to create more debt. Can this work?**

"Here's why the plan for the government to recover the money is whistling in the dark: It calls for banks to "earn their way out of debt" by selling more of their product – credit, that is, debt. Homeowners and other consumers, students and car buyers, credit card users and their employers – the "taxpayers" supposed to be helped – are to pay the repayment money to the banks, instead of using it to purchase goods and services.

The imbalance between creditor demands and debtors' ability to pay is indeed the problem! It denies that the problem is debt above and beyond the ability of the economy at large to pay, and higher than the market price of property and assets pledged as collateral.

Creating a system for the banks to 'earn their way out of debt" means creating yet more interest-bearing debt for the economy at large.<sup>20</sup>

### **Shifting wealth from ordinary citizens to the very rich, caused by interest.**

When money is created by the banks and loaned to governments or business at interest, it is mathematically impossible to pay back all the money with interest. Not all debts can be repaid, so foreclosures occur. In this way wealth is continually transferred from the poor to the rich.<sup>21</sup>

"In just a matter of days, we have seen literally trillions of dollars offered to the financial services sector by national treasuries and central banks across the globe. Britain alone has put \$1 trillion at the disposal of the bankers, traders, lenders and speculators; and this has been surpassed by the total package of public money that Washington is shoveling into the financial furnaces of Wall Street and the banks. These radical efforts are being replicated on a slightly smaller scale in France, Germany, Italy, Russia and many other countries.

The effectiveness of this unprecedented transfer of wealth from ordinary citizens to the top tiers of the business world remains to be seen. It will certainly insulate the very rich from the consequences of their own greed and folly and fraud; but it is not at all clear how much these measures will shield the vast majority of people from the catastrophe that has been created.

The 30-year mantra by our governments has been a deliberate and outright lie. The money was there -- billions and billions and billions of dollars of it, trillions of dollars of it. We can see it before our very eyes today -- being whisked away from our public treasuries and showered upon the banks and the brokerages.

### **How could governments find billions to shore up banks when they said all along that there was no money for basic social needs?**

Let's say it again: The money was there all along.

Money to build and generously equip thousands and thousands of new schools, Money to revitalize the nation's crumbling inner cities, making them safe and vibrant places for businesses and families and communities to grow.

Money to provide decent, affordable and accessible health care to every citizen, to provide dignity and comfort to the elderly, and protection and humane treatment for the mentally ill.

Money to provide affordable higher education to everyone who wanted it and could qualify for it. Money to help establish and sustain local businesses and family farms, centered in and on the local community, driven by the needs and knowledge of the people in the area, and not by the dictates of distant corporations.

Money to strengthen crumbling infrastructure, to repair bridges, shore up levies, maintain roads and electric grids and sewage systems."<sup>22</sup>

### **How does an economic system based on interest result in war?**

"And frighteningly, if capital stays true to its form, then we can expect a *really* big war some time soon. It is, after all, the only way all that surplus capital can be literally burned up. It was a major cause of WWI and II and it will, unless we get rid of the bastards, be the cause of WWIII, or IV or is it V, I've lost count of the major wars they've initiated under one pretext. The bottom line is that they're going to have to do something and do it soon. But the insanity of a global capitalism must surely be apparent to all (except the corporate media of course). On the one hand, we have pundits talking about a global solution with regard to the regulation of the flow of capital across state borders and on the other, we have every nation doing its own thing!

But it stands to reason that if every nation is in competition with every other nation for markets, then hell will freeze over before they consider anything as sane as a global economic order that benefits ordinary people."<sup>23</sup>

O ye who believe! fear Allah and relinquish what remains of interest, if you are believers. But if you do *it* not, then beware of war from Allah and His Messenger; and if you repent, then you shall have your original sums; *thus* you shall not wrong, nor shall you be wronged. (Al Quran 2: 279-280)

## **Is Interest a threat to our environment?**

“Debt-based monetary systems are the building blocks of empires, and generally empires collapse or topple when they have destroyed their ecological base. The current global empire severely threatens the forests, the oceans, the climate, the fertility of the soil, the aquifers, the bees, and innumerable other species, including humanity.”<sup>24</sup>

The IMF's and World Bank's structural adjustment policies ensure debt repayments on money that was created from nothing by the lender countries, by requiring countries to cut spending on education and health; eliminate basic food and transportation subsidies; devalue national currencies to make exports cheaper; privatize national assets; and freeze wages. Such belt-tightening measures increase poverty, reduce countries' ability to develop strong domestic economies and allow multinational corporations to exploit workers and the environment

Nearly 80 percent of all malnourished children in the developing world live in countries where farmers have been forced to shift from food production for local consumption to the production of export crops destined for wealthy countries.

IMF loans and bailout packages are paving the way for natural resource exploitation on a staggering scale. The IMF does not consider the environmental impacts of lending policies, and environmental ministries and groups are not included in policy making. The focus on export growth to earn hard currency to pay back loans has led to an unsustainable liquidation of natural resources.

And because of their taking interest, although they had been forbidden it, and because of their devouring people's wealth wrongfully. And We have prepared for those of them who disbelieve a painful punishment. (Al Quran 4:162)

## **The International Community and the International Financial System. What purpose does it serve?**

“In recent times there have been numerous communications revolutions, including radio, television, and the Internet, and social movements have also arisen. At the same time there has also been the consolidation and expansion of corporate power served by new centers of supranational power, such as the World Bank, the International Monetary Fund, and the World Trade Organization.”

Alex Carey said:

"The twentieth century has been characterized by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy."<sup>25</sup>

"During this time money and resources have flowed from poor countries to rich industrialized nations. The Structural Adjustment Programs forced upon nations by the World Bank and the IMF have meant shifting food production from domestic needs to export crops, devaluing local currency to encourage exports, cutting social spending on health and education, reducing wages, privatizing national industries, selling off natural resources, and removing tariff protections for local industries. Hunger, unemployment, hardship and inequality are the direct and calculated results of these World Bank policies.

Maximizing profits is the primary value in modern economics. The economic measure of monetary flow is directly related to the rape of the earth, the amount of exploitation occurring within a country, and how effectively the world's parasites are expropriating the labor of others and the natural world."<sup>26</sup>

### **What may the future hold?**

Richard C Cook a former U.S. federal government analyst states:

"Maybe the party is finally over. Maybe at the end of their 300-year reign, starting roughly with the creation of the Bank of England in 1694, the financiers have finally succeeded in doing enough damage to the world economy that the rest of us are willing to take action. Or maybe there will be a sufficient distraction by more war in the Middle East and elsewhere. Maybe peak oil or global warming will intervene with destruction on too large a scale to ignore. Or maybe we'll just limp along into the sunset.

Only time will tell. But however the change may happen, it remains the author's conviction that, one way or the other, a fair and intelligent monetary system will someday exist on the planet earth."<sup>27 28</sup>

## **Compound Interest: Financial Weapon of Mass Destruction**

Around 1980, when interest rates were soaring, Johnny Carson quipped on *The Tonight Show* that "Scientists have developed a powerful new

weapon that destroys people but leaves buildings standing – it's called the 17% interest rate." Compound interest is the secret weapon that has allowed a global banking cartel to control most of the resources of the world. The debt trap snapped shut for many countries in 1980, when international interest rates shot up to 20 percent. At 20 percent interest compounded annually, \$100 doubles in under 4 years; and in 20 years, it becomes a breathtaking \$3,834. The devastating impact on Third World debtors was underscored by President Obasanjo of Nigeria, speaking in 2000 about his country's mounting burden to international creditors. He said:

"All that we had borrowed up to 1985 was around \$5 billion, and we have paid about \$16 billion; yet we are still being told that we owe about \$28 billion. That \$28 billion came about because of the injustice in the foreign creditors' interest rates. *If you ask me what is the worst thing in the world, I will say it is compound interest.*"<sup>29 30</sup>

"By 2001, enough money had flowed back to First World banks from Third World debtors to pay the principal due on their original loans six times over; but interest had consumed so much of those payments that the total debt had actually quadrupled. In 1980, median income in the richest 10 percent of countries was 77 times greater than in the poorest 10 percent. By 1999, that gap had grown to 122 times greater. In December 2006, the United Nations released a reported titled 'World Distribution of Household Wealth,' which concluded that 50 percent of the world's population now owns only 1 percent of its wealth, while the richest 10 percent of adults owns 85 percent. At interest compounded annually, the debts of the poorer nations can never be repaid but will just continue to grow."<sup>31</sup>

O ye who believe! Devour not interest involving diverse additions; and fear Allah that you may prosper. (Al Quran 3:131)

It has been estimated that eliminating interest charges could cut the average cost of infrastructure, sustainable energy development, and other programs in half.<sup>32</sup>

"Third World economies might finally escape the iron grip of the international bankers, bringing a 300-year global banking empire crashing down.

The size of the stakes was suggested by Tarek El Diwany, a British expert in finance and the author of *The Problem with Interest* (2003). In a

presentation at Cambridge University in 2002, he quoted a 1997 United Nations Human Development Report which said:

Relieved of their annual debt repayments, the severely indebted countries could use the funds for investments that in Africa alone would save the lives of about 21 million children by 2000 and provide 90 million girls and women with access to basic education.

El Diwany commented, "The UNDP does not say that the bankers are killing the children, it says that the debt is. But who is creating the debt? The bankers are of course. *And they are creating the debt by lending money that they have manufactured out of nothing.* In return the developing world pays the developed world USD 700 million per day net in debt repayments."<sup>33</sup>

"In 1980 the Southern countries' debt amounted to \$567 billion; since then, they have paid \$3,450 billion in interest and write-offs, six times the original amount. In spite of this, that debt had quadrupled by the year 2000, reaching \$2,070 billion."<sup>34</sup>

"Third World debt has been compounding at over 20 percent per year between 1973 and 1993, from \$100 billion to \$1.5 trillion [only \$400 billion of the \$1.5 trillion was actually borrowed money. The rest was runaway compound interest]. If Third World debt continues to compound at 20 percent per year, the \$117 trillion debt will be reached in eighteen years and the \$13.78 quadrillion debt in thirty-four years."<sup>35</sup>

The Holy Quran comments:

Those who devour interest do not rise except as rises one whom Satan has smitten with madness. That is because they say: 'Trade also is like interest;' whereas Allah has made trade lawful and made interest unlawful. So he to whom an admonition comes from his Lord and he desists, then will that which he received in the past be his; and his affair is with Allah. And those who revert to it, they are the inmates of the Fire; therein shall they abide. (Al Quran 2:276)

**An economist agrees.**

Dear Mr. LaHaye,

Thanks for your nice comment.

Indeed, the high concentration of wealth and the compounded interest



rate mean that such a concentration will go on accelerating in the coming years. Forbes magazine, for example, do no include people in its wealthy list of individuals those who do not have one billion dollars. This is ***madness*** on a high scale and the Bush-Cheney administration and other ultra conservative governments are responsible for this situation.

Greetings,

Rodriquez Tremblay Economist

### **Interesting Quotes on the Banking System**

In *Billions for the Bankers, Debts for the People* (1984), Sheldon Emry commented:

Sir Josiah Stamp, president of the Bank of England and the second richest man in Britain in the 1920s. He declared in an address at the University of Texas in 1927:

*The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in inequity and born in sin . . . . Bankers own the earth. Take it away from them but leave them the power to create money, and, with a flick of a pen, they will create enough money to buy it back again. . . . Take this great power away from them and all great fortunes like mine will disappear, for then this would be a better and happier world to live in. . . . But, if you want to continue to be the slaves of bankers and pay the cost of your own slavery, then let bankers continue to create money and control credit.*

Robert H. Hemphill, Credit Manager of the Federal Reserve Bank of Atlanta in the Great Depression, wrote in 1934:

We are completely dependent on the commercial Banks. *Someone has to borrow every dollar we have in circulation, cash or credit.* If the Banks create ample synthetic money we are prosperous; if not, we starve. *We are absolutely without a permanent money system.* When one gets a complete grasp of the picture, the tragic absurdity of our hopeless position is almost incredible, but there it is. *It is the most important subject intelligent persons can investigate and reflect upon.*<sup>36</sup>

Graham Towers, Governor of the Bank of Canada from 1935 to 1955, acknowledged:

Banks create money. That is what they are for. . . . The manufacturing process to make money consists of making an entry in a book. That is all. . . . *Each and every time a Bank makes a loan . . . new Bank credit is created -- brand new money.*<sup>37</sup>

Robert B. Anderson, Secretary of the Treasury under Eisenhower, said in an interview reported in the August 31, 1959 issue of *U.S. News and World Report*:

[W]hen a bank makes a loan, it simply adds to the borrower's deposit account in the bank by the amount of the loan. *The money is not taken from anyone else's deposit; it was not previously paid in to the bank by anyone. It's new money, created by the bank for the use of the borrower.*

President Thomas Jefferson had the following to say on this issue:

"If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children wake up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."<sup>38</sup>

### **EPILOGUE**

The penny invested by Augustus Caesar in 8 BC would be worth 3 trillion, trillion, trillion dollars today at 6 percent compound interest. The world only has around 100 trillion dollars in total wealth today.

So, human economic activities cannot keep pace with such degree of compounding even with a meager 6% compound interest rate. All systems that indulge in significant interest based loans be they countries, companies or individuals are bound to fail. But before, their eventual demise the struggle created by this compounding leads to immorality, exploitation, loot and plunder and wars.

So in conclusion:

Those who devour interest do not rise except as rises one whom Satan has smitten with madness. That is because they say: 'Trade also is like interest;' whereas Allah has made trade lawful and made interest unlawful. So he to whom an admonition comes from his Lord and he desists, then will that which he received in the past be his; and his affair is with Allah. And those who revert to it, they are the inmates of the Fire; therein shall they abide. (Al Quran 2:276)

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- <sup>1</sup> THE COLLAPSE OF A 300 YEAR PONZI SCHEME: THE REAL DEBATE IS CRONY SOCIALISM OR FINANCIAL SOVEREIGNTY Ellen Brown, October 16th, 2008.
- <sup>2</sup> Monetary Reform and How a National Monetary System Should Work by Richard C. Cook.
- <sup>3</sup> THE COLLAPSE OF A 300 YEAR PONZI SCHEME: THE REAL DEBATE IS CRONY SOCIALISM OR FINANCIAL SOVEREIGNTY Ellen Brown, October 16th, 2008.
- <sup>4</sup> Chris Cook, "A New Dawn for Iran," Asia Times (October 9, 2008).
- <sup>5</sup> THE COLLAPSE OF A 300 YEAR PONZI SCHEME: THE REAL DEBATE IS CRONY SOCIALISM OR FINANCIAL SOVEREIGNTY Ellen Brown, October 16th, 2008.
- <sup>6</sup> Parsing Mr. Paulson's Bailout Speech The Unprecedented Giveaway of Financial Wealth Story By Dr. Michael Hudson.
- <sup>7</sup> Monetary Reform and How a National Monetary System Should Work by Richard C. Cook.
- <sup>8</sup> THE SUBPRIME TRUMP CARD: STANDING UP TO THE BANKS Ellen Brown, June 26th, 2008.
- <sup>9</sup> THE SUBPRIME TRUMP CARD: STANDING UP TO THE BANKS Ellen Brown, June 26th, 2008.
- <sup>10</sup> Financial Meltdown: The Greatest Transfer of Wealth in History How to Reverse the Tide and Democratize the US Monetary System by Ellen Brown.
- <sup>11</sup> Spiraling US Federal Debt Triggers Decline of Dollar A Non-Inflationary Solution to the Federal Debt Crisis by Ellen Hodgson Brown.
- <sup>12</sup> THE COLLAPSE OF A 300 YEAR PONZI SCHEME: THE REAL DEBATE IS CRONY SOCIALISM OR FINANCIAL SOVEREIGNTY Ellen Brown, October 16th, 2008.
- <sup>13</sup> BEHIND THE DRUMS OF WAR WITH IRAN: NUCLEAR WEAPONS OR COMPOUND INTEREST? Ellen Brown, November 13th, 2007.
- <sup>14</sup> Who are the Architects of Economic Collapse? Will an Obama Administration Reverse the Tide? by Michel Chossudovsky.
- <sup>15</sup> F. William Engdahl: Behind the Panic: Financial Warfare and the Future of Global Bank Power.
- <sup>16</sup> Evolution of the Apocalypse - Empire's Demise - Human Renaissance by Carol Brouillet.
- <sup>17</sup> Predatory Lenders' Partner in Crime How the Bush Administration Stopped the States from Stepping In to Help Consumers By Eliot Spitzer Thursday, February 14, 2008.
- <sup>18</sup> Evolution of the Apocalypse - Empire's Demise - Human Renaissance by Carol Brouillet.
- <sup>19</sup> Parsing Mr. Paulson's Bailout Speech: The Unprecedented Giveaway of Financial Wealth Story By Dr. Michael Hudson Oct. 18, 2008.
- <sup>20</sup> Parsing Mr. Paulson's Bailout Speech: The Unprecedented Giveaway of Financial Wealth Story By Dr. Michael Hudson Oct. 18, 2008.
- <sup>21</sup> Evolution of the Apocalypse - Empire's Demise - Human Renaissance by Carol Brouillet.
- <sup>22</sup> The 30 Year Lie Of The Market Cult The God That Failed By Chris Floyd 10-16-8.
- <sup>23</sup> The Capitalist Shakedown Written by William Bowles.
- <sup>24</sup> The Capitalist Shakedown Written by William Bowles.
- <sup>25</sup> How Corporations Destroyed US Democracy by Propaganda, <http://tiny.cc/UCT9Q>.
- <sup>26</sup> How Corporations Destroyed US Democracy by Propaganda, <http://tiny.cc/UCT9Q>.
- <sup>27</sup> Monetary Reform and How a National Monetary System Should Work by Richard C. Cook.
- <sup>28</sup> <http://www.globalresearch.ca/index.php?context=va&aid=5615>
- <sup>29</sup> Jubilee 2000 news update, August 2000.
- <sup>30</sup> Behind the Drums of War with Iran: Nuclear Weapons or Compound Interest? By Ellen Brown.
- <sup>31</sup> Behind the Drums of War with Iran: Nuclear Weapons or Compound Interest? By Ellen Brown.
- <sup>32</sup> Margrit Kennedy, *Interest and Inflation-free Money* (1995), discussed in Deidre Kent, "Margrit Kennedy Inspires New Zealand Groups to Establish Regional Money Systems," McKeever Institute of Economic Policy Analysis, [www.mkeever.com](http://www.mkeever.com) (2002).
- <sup>33</sup> Behind the Drums of War with Iran: Nuclear Weapons or Compound Interest? By Ellen Brown.
- <sup>34</sup> "The Morals of Money-Lending," *The World Guide*, [www.henciclopedia.org](http://www.henciclopedia.org).
- <sup>35</sup> J.W. Smith, *The World's Wasted Wealth 2*, (Institute for Economic Democracy, 1994), p. 143.
- <sup>36</sup> Parsing Mr. Paulson's Bailout Speech The Unprecedented Giveaway of Financial Wealth Story By Dr. Michael Hudson.
- <sup>37</sup> Monetary Reform and How a National Monetary System Should Work by Richard C. Cook.
- <sup>38</sup> Thomas Jefferson, Letter to Treasury Secretary Albert Gallatin (1802).