Economic- Juristic Analysis of Usury in Consumption and Investment Loans and Contemporary Jurisprudence Shortages in Exploring Legislator Commandments

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Abstract

In this article, by analyzing the deduction methodology of jurisprudence commandments, we try to touch the existing shortages in its methodological aspects. By discussing on different sources of Islamic jurisprudence like Quran, Sunna (Tradition), consensus, intellect, fame, analogy, preference, public interest considering, blocking the means, we will explicates that the divine authority (person who is allowed by the messenger or by someone whom messenger has allowed him) has been ignored in religious deduction and thus these different ideas have been emerged in Islamic commandments. In this regards, juristic decrees may be compared which are different and even conflict solutions to a unique problem or question. These conflicts enlighten two important propositions.

1. The juristic deduction methodology needs revision.
2. Ignorance to theosophy principle of jurisprudence is the main source of conflicts.

By defining and analyzing usury and interest in an economic-juristic frame and specifically in Quran and with respect to wisdom or theosophy principle in jurisprudence to distinguish usury and non-usury finance, we conclude:

1. The loaner must share in profit and loss of the economic activity of loan receiver.
2. The rate of interest-because of inability to determine the capital productivity rate a priori- should not be determined and conditioned in advance.
3. Receiving interest in consumption loans is usury and not allowed.

Transformation of credit and deposit markets' oscillations to real sector is the main initiation of real sector economic fluctuations. Respect to wisdom (theosophy) principle of religious legislation and by introducing a mathematical model, we show that usury causes economic fluctuations and by deleting usury from economy, we conclude that real economy will be more stable.

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Introduction

Interest rate is critical economic and juristic debates. Certainly, concrete results in this debate may improve the functioning of Islamic banking; because, non-usury banking is based on the juristic approach to define usury. In this paper, we examine the interest and usury from the economic and juristic points of views. We try to examine this hypothesis: whether is the received interest from a loan for any purposes usury or not? On the other hand, we may distinguish consumption loans from investment loans. The former is usury and the latter is not. To analyze this hypothesis we try to investigate the methodology of deducting commandments in Islamic jurisprudence.

Jurisprudence and knowledge (الفقه و العلم)[2]

Jurisprudence in Arabic philology comes from "understanding" and Quran relates this term to heart: [3] "*They have heart but they can not understand"*. [4] This means that the "heart" is location of "understanding". By the other way, it means that jurisprudence should come from deep thinking. Generally, knowledge in original Islamic law (original Shariia) and all other original religions is distinguished from the knowledge in public terms. Surveying the life history of God's messengers and prophets reveals that all of them were illiterate but educated. They were (illiterate) distinguished scholars in their ages. Thus, their knowledge should come from other sources. In Quran, it is addressed to the prophet: "*before this you could not read a book and you had no hand- writing"*[5]. The prophet emphasizes that all Moslems should observe learning knowledge. But he, himself was illiterate. I mean the knowledge and literacy are two different things. In defining knowledge, the prophet says: "*knowledge is not something which can be procured by excess teaching, but it is a light which God may insert in the heart of those who may want"*. [6]

In Quran, knowledge is restricted to piety: "*get piety, Allah will educate knowledge to you"*[7] Thus the knowledge-based deduction should be different from the deduction based on the literacy. And jurisprudence should be based on knowledge not literacy. Knowledge goes through heart (of mind) but literacy gets some location in the memory area of the brain not the thinking core or heart of brain. Some researches classify jurisprudence reasoning as techniques of deducting religious commandments.[8] This technique itself needs deep thinking and reasoning, to deduce commandments. "Shahid Thani" a Shiite jurist says: "Jurisprudence is not the written

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[2] For explanatory discussions about this topic see the books of Haj Soltan-Mohammad Soltanalishah Gonabadi. See the references at the end of the paper.

[3] The "heart" in Arabic language is used to introduce both the "sprit of mind" and the "physical heart". The special Arabic term for "physical heart" is "Foad" (فؤاد).

[4] Araaf: 179. **لَهُمْ قُلُوبٌ لايَفْقَهُونَ بِهٰا**

[5] Ankabout: 48. **و مَاكُنْتُ تَتْلُواْ مِنْ قَبْلِهِ مِنْ كِتٰابٍ وَ لَاتَخُطُّهُ بِيَمِينِكَ**

[٦] **لَيْسَ ٱلعِلْمُ بِكَثْرَةِ ٱلتَعَلُّمِ إِنَّمَا هُوَ نُورٌ يَقْذِفُهُ ٱللهُ فِي قَلْبِ مَنْ يُرِيد اَنْ يَهْدِيه.** بحارالانوار، محمّد باقر المجلسي، ج ٦٧ ، باب ٥٢ ، ص١٣٩ و منية المريدين، الشهيد الثاني، ص ١٥٩، في التوكل علي الله تعالي و الاعتماد.

[7] Baghareh: 282. «**اِتَقوا الله يُعَلِكُمُ الله**»

[٨] اصول فقه، دفتر الاول، مصطفي محقق داماد، مركز نشر علوم اسلامي، چاپ دهم، ص ٩.

texts of the books, it is: observation of God's light with all things/objects, and jurist is a man who has become entitled to the verse: "*wherever look, observe the face of Allah*". [9] Thus, jurist by this definition can analyze the prophet sayings, traditions and narrations. This Mystic stage is conditioned to God's permissions and must be allowed by other men who were allowed by God's representative before. Generally, all mystic stages need God's permission. In Quran, it has been cited: "*nobody can intercede to God except those people who are allowed*".[10] And as a conclusion to this statement, we should say that people must obey only, those men who are allowed by God. Quran explicates: "*Obey Allah, and obey the prophet and obey those from yourself whom are allowed*". [11] This means that if a jurist deduces some even partial ordinances/commandments without the permission, then resulted rules and decrees are not qualified to be obeyed.[12] Quran explicates: "*You decided some of it forbidden and some lawful; say: has Allah permitted you to say so or do you forge to lie against Allah*"[13].

By this discussion, we reach the question: what is our duty and whom may be asked for religious rules and commandments? Quran explicates: "*I (God) appoint a divine governor on the earth*"[14] and in the other verse: "*There are divine leaders for all communities*"[15] and in the other one: "*For all nations there are messengers*"[16]. Thus the obedience of this governor is lawful and no one else may be adopted to be obeyed. This governor must be alive. That is we are not allowed to obey those governors who have been assigned and died before. This pronouncement is accepted by all Shiite and Sunnite peoples. That is my Sunnite and Shiite brothers all believe and decree that the God's divine governor must be alive and obeying dead governor is not allowed. The conclusion of this debate may be summarized to the fact that the deductive reasoning to find religious commandments of religion in now-a-days formed shape can not be acceptable and thus the methodology should be revised.

Quran

The main juristic sources in jurisprudence principles are: Quran, tradition, consensus and intellect. In prevailed juristic texts, these four items are cited as the main sources of jurisprudence. The main source which is the divine governor of God has been forgotten or ignored! Quran is not a simple book for all human being to find out its description and prescription or explicitly meaning. Quran itself says: "*nobody knows the meaning of Quran*

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[9] Baghareh: 115. **أَيْنَمَا تُوَلُّواْ فَثَمَّ وَجْهُ ٱللهِ**

[10] Baghareh: 255. «**مَنْ ذَا ٱلَّذِي يَشْفَعُ عِنْدَهُ إِلَّا بِإِذْنِهِ**»

[11] Nesa: 59. «**أَطِيعُواْ ٱللهَ وَ أَطِيعُواْ ٱلرَّسُولَ وَ أُولِي ٱلأَمْرِ مِنْكُمْ**»

[12] الحديث النبوي مقبول لكل مذاهب الشيعي و الاهل السنة: «**إِنِّي تَارِكٌ فِيكُمْ مَا اَنْ تَمَسَكْتُمْ بِهِ لَنْ تَضِلُّواْ كِتَابَ ٱللهِ و عِتْرَتِي أهلِ بَيْتِي**». الصحيح المسلم، جزء ۶ ص ۱۲۲. السنن ترمذي جزء ۲، ص ۳۰۷. في كتب الاحاديث الشيعي بانشاء: «**إِنِّي تَارِكٌ فِيكُمْ ٱلثقلين كِتَابَ ٱللهِ وَ عِتْرَتِي**». بحار الانوار، ج ۲، ص ۱۰۳، باب ۱۴ من يجوز اخذ العلم منه. و ج ۲۳، ص ۱۱۴، باب ۷، فضائل اهل بيت ع.

[13] Yunus: 59. «**قُل اَرَاَيْتُم ما اَنْزَلَ اَللهُ لَكُمْ مَن رِزْقٍ فَجَعَلْتُم مِنْهُ حَرامَاً وَ حَلالاً قُل ءَ اَللهُ أَذِنَ لَكُمْ أَمْ عَلَي اَللهِ تَفْتَرُونَ**»

[14] Baghareh: 30. «**إِنِّي جَاعِلٌ فِي ٱلْأَرْضِ خَلِيفَةً**»

[15] Raad : 7. «**لِكُلِّ قَوْمٍ هَادٍ**»

[16] Yunus: 47. «**وَ لِكُلِّ اُمَةٍ رَسُولٌ**»

except Allah".[17] So the absolute meaning of Quran is at hands of Allah. Only those people who got the knowledge, only, may be asked for the relative (and not absolute) meaning of Quran and implication of commandments. It should be noted that knowledge as cited before is different from literacy. Knowledge comes from understanding/comprehending due to observing the light of Allah in all of things/objects; but the prevailed meaning of knowledge – literacy – is due to getting presence at schools/universities. Therefore, without knowledge, our finding and understanding are some kind of doubt and presumptive opinion. Quran explicates: *"They do not know the Quran except some doubtive opinion"*. [18] There may be knowers who are illiterate versus literate people who have passed many religious schools or universities but are ignorant. Quran explicates: *"If you do not know ask possessors of edifications, men who study and remember the name of Allah"*. [19]

Despite of this debate, in exploring the religious commandments we see that the jurists refer to Quran less than the prophet's sayings, narrations and stories.

Tradition (Sunna)

Validity of tradition as a source of commandment deduction is doubtful. All types of tradition including "practical tradition" and "assertional tradition" and "argumental tradition" suffer from validity.

In "practical tradition", the practice of prophet leads to its lawfulness (or unlawfulness). It is important to say that prophet action does not necessitate validity, because the prophet special advice may meliorate someone but the advice may be harmful for other person. Since his advice is similar to a medicine which may recover someone to life or kill others.

"Assertional tradition" is based on disclaim of prophet against a witnessed action. This tradition does not necessitate validity because we may visualize prophet or impeccable in cases of precautionary dissimulation. That is he should dissimulate the truth regarding dangers. This is also the case for homonymy, amphiboly and paronomasia.[20] Thus their silence does not lead to validity of action.

"Argumental tradition" is based on sayings, stories, narrations and etc. This tradition has a wide discussion in jurisprudence and all stories and narrations are classified according to their narrators or tellers. This tradition suffers from many doubts in stories and narrations.[21] Many narrators and story tellers have inserted wrong and pseudonym stories in the religious literatures.

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[17] Ale Omran: 7. « **مَا يَعْلَمُ تَاْوِيلَهُ إِلّا ٱللّٰهُ** »

[18] Sura Baghareh, Ayeh 78. «**لايَعْلَمونَ ٱلكِتٰابَ اِلّا اَمَانِيَّ وَ اِنْ هُمْ اِلّا يَظُنّونَ**»

[19] Surah Anbia, Ayeh 7. «**فَسْئَلُواْ أَهْلَ ٱلذِّكْرِ اِنْ كُنْتُمْ لاتَعْلَمُونَ**»

"The men whose works are thinking" refers to those people who try to survey and analyze and remember the name of God. This world and all of things are the names of God. In philosophical terms, name is anything who leads to its named. And the named of all existing thing is God. That is we say: In the name of God.

[20] «**اَلتَّقِيَةُ دِينِي وَ دِينِ آبائِي وَ لَااِيمانَ لِمَنْ لَاتَقِيَةَ لَهُ**» الاصول الكافي، الجلد الثاني، ص ٢١٩. الوسائل الشيعه، جلد ١٦، صفحة ٢٠٤.

[21] **اَلْخَبَرُ يَحْتَمِلُ ٱلصِّدْق و ٱلْكِذْب**.

Distinguishing correct story from incorrect stories should be compared with Quran and if it was not in line with Quran it is false. This tradition as noted before does not guarantee that prophet or speaker had exposed the proposition for all people. It may be particular for audience of that session not for all people and all times. That is, their speech may not be used for other people who had not been there. It should be added that narration transmission is restricted to divine permission. That is, nobody has right to transmit the speech of prophet or impeccable without their leaves or permission. As it is prevailed among jurists, every jurists, must receive permission from the pervious jurist and this permission must back reach the prophet. In opposite case - without permission- transmission of their speech may be encountered as some kind of impoliteness to the prophet. That is, some kind of eavesdroppery might be occurred.

Therefore, the stories and narrations are all doubtful and Quran explicates: "*And most of them do not follow truth, and follow doubts and conjectures. Certainly, conjecture and doubts can not avail anything against the truth"*.[22] In other side, the prophet and impeccable are human being. In Quran the prophet himself explicates: *"I am human being similar to you"*. [23] This means that some of their speeches are regular human being speeches and do not relate to their divine duties and comes from their fancies or niceties or tastes. On the other hand, sophists believe that all religion's messengers/prophets/impeccables/leaders must be permitted by the previous allowed person, and this is an inevitable chained order and rule of leaves.

Consensus (الاجماع)

The third source of jurisprudence deduction is consensus of jurists. According to our Sunnite brothers' opinions, this source is the first source of juristic deduction. Original (not pseudo) Shiites believe that consensus may not be valid. They believe that any religious pontification must be restricted to permission from the previous permitted person. However, this is not the case in Shiite societies and only few orders of sophists believe and practice this rule.

Generally, consensus of majority should not validate a juristic commandment. Since, majority of people are not qualified and the qualified persons are not accessible, because we do not know them. In Quran there are lots of verses which expose:

"But very few of my worshippers are (practically) grateful."[24]
"Majority of peoples are (practically) not thankful."[25]
"That, man is indeed in grave loss."[26]
"The majority of people are ignorant."[27]
"Their majority do not know."[28]

[22] Yunus: 36 and also see: Najm: 28. «وَ ما يَتَّبِعُ أَكْثَرُهُمْ إِلّا ظَنّاً إِنَّ ٱلظَّنَ لايُغْنِي مِنَ ٱلْحَقِّ شَيْئاً»

[23] Kahf: Last Ayeh. اَنَا بَشَرٌ مِثْلُكُم

[24] Saba: 13. «قَلِيلٌ مِنْ عِبَادِيَ ٱلشَّكُور»

[25] Yusuf: 38. «أَكْثَرَ الّناسِ لايَشْكُرونَ»

[26] Alasr: 2. «إِنَّ ٱلْإِنْسَانَ لَفِي خُسْرٍ»

[27] Saba: 28 and Araaf: 187. «أَكْثَرَ الّناسِ لايَعْلَمُونَ»

"Their majority do not think." [29]
"Their majority are ignorant."[30]

These verses clarify that majority is not a consolidate base for juristic deductions. Knowing qualified jurists is a difficult problem. Philosophically, nominator should be superfine than nominative. That is lower jurists can not nominate higher jurist. The only logical solution to this rule is that higher jurist nominate lower one. This is the main debates that sophists insist. That is the jurist must be allowed by higher pervious leave or permission. Otherwise, consensuses of majorities are due to wrong decisiveness, as Quran explicated.

Intellect (العقل)

Shiite more or less accepts intellectual/rational demonstration or proof as a source of juristic deduction. The Sunnite brothers restrict commandments sources to traditional verities. [31] Thus, the intellect locates in a wide range from acceptable and credible to unacceptable and incredible source to juristic reasoning. All different sects have special treatments to intellect. The discussion among their defenders more or less had been reached to anathemization and excommunication of the others.

Rational demonstration refers to any rational commandment that determines a juristic commandment. Rational demonstration is classified to two categories of rational independencies and dependencies. In the former category, intellect issues a commandment independently and the latter includes those realms of demonstrations that intellect issues a commandment following a juristic judgment.

Responding this question that: is it possible to accept intellect as a deduction source, is not simple. But as a reservation, it should be noted that intellectual power is different in different people and the criterion of intellect and ration is not absolute. This causes rational demonstration to be proved by one and to be negated by the other. By the way, this conclusion is to be raised that the intellect of who should be used as juristic source. The response to this question is: intellect of the perfect man who has refined and purified himself and has reached transcendental mental characteristics would be the juristic source. Certainly, he will be quite different from a person who has passed the school/university courses about juristic deduction. His (perfect man) intellect is defined as: "instrument of Allah servitude and finder the secrets"[32]. This intellect is different from prevailed idiomatic intellect. This intellect classifies as prophetic intellect.

Thus debate on this juristic source conveys us again to this claim that only the perfect man with prophetic ration is the main source of jurisprudence.

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[28] Yunus: 55. «أَكْثَرَهُمْ لايَعْلَمُونَ»

[29] Hojorat: 4. «أَكْثَرَهُمْ لايَعْقِلُونَ»

[30] Anam: 111. «أَكْثَرَهُمْ يَجْهَلُونَ»

[31] جلال الدين سيوطي الشافعي، الحاوي، جلد دوم، صفحه ۱۵۹.

[32] Alkafi, Vol.1, section:1, p.11. «اَلْعَقْلُ مَاعُبِدَ بِهِ اَلرَّحمانَ وَ اَكْتُسِبَ بِهِ اَلْجَنَانَ»

Fame(شهرة)

Some partial sources of jurisprudence as fame or publicity suffer from their own deficiencies. Decreeing fame (lots of decrees of different jurists on unique subject) and practical fame (based on the fame practices of jurists against unique subject) all defect from validity as we talked before in criticizing consensus. That is the fame opinion of majority does not necessitate validity in juristic deductions.

Islamic intellectuals' way of life (السيرة)

Intellectual way of life in jurisprudence means the continuous operational way of life of intellectuals and Moslems and may be of juristic source necessitating prophet or impeccable agreements. Validity of this source is defective.

Analogy(القياس)

Analogy is: to prove a commandment in a subject because of its proof in other subject based on their analogies. Sunnite's brothers insist on validity of analogy in juristic deduction. Shiite jurists introduce "rational analogy" as a source of jurisprudence. That is they use rational analogy based on appointed reason as a juristic source. In this kind of analogy, logical minor and major are defined and the commandment is derived from. This analogy in all situations is not deterministic.

Another type of analogy is "aprioristic analogy". In logic, this analogy is named by reason connotation or signification. For example if one has no right to get in the house using the door, he has not right getting in by climbing the wall too.

Deductive reason analogy (complexity reexamination) is the case that the reason of the commandment has not been explained by legislator and jurist simulates the similar reason by analogy. Since reasoning is based on the opinion of jurist and not legislator's, may be source of probable errors. This is the fame case of : "*The first who analogized was Satan.*"

Preference (الاستحسان)

By different definitions, the preference rule means deviation from analogy to prefer a particular publicly good solution. The notions of different Islamic sects to preference are not unique. Shiite and Shafeite and Zaherite do not disagree with, but Hanafite and Hanbalite and Malekite sects try to validate it.

Considering public interest (الاستصلاح او مصالح المرسله)

Considering of public interest (transmitting expedients) means the expedient that legislator has not talked about and can not be found in any partial or general commandment of legislator and jurist deems advisable or proper. Malekite and Hanbalite sects accept expediential reasoning

in the case of no written text or consensus. But Shafeite sect validate expediential deduction. Shiite jurisprudence does not validate public interest consideration same as preference.

Blocking the means (سد الزرايع)

Blocking the means, implies: those actions causing destruction should be prevented. Shiite jurists refer to "Obligatory preliminary". It means an action antecede another action and by referring to legislator rule on the first action to prevent destruction from the second action explore the "blocking the means" rule. This rule may not be general to be performed in different subjects.

To summarize the juristic deduction, we should conclude that the rule and permission of legislator to deduce the divine commandments is not neither tradition and nor intellect and consensus and analogy and preference and transmitting expedients and blocking the means. But the direct divine command of Allah by his representatives who are allowed to deliver the commandments is the main source of jurisprudence. Quran explicates: "*Obey Allah and obey the prophet and obey those people among yourselves who are allowed.*"[33] The obedience of these people is lawful. Otherwise, we may assert a commandment erroneously and assuming that it is the God's commandment. There is no guarantee that it is the God's commandment.

Interest

There are lots of definitions for interest in economic point of view. One of the old definitions defines interest as price of money. Though this definition is public, but, analytically is defective, because, price of one unit of commodity is equal to the value of one unit of the same commodity.[34] This does not satisfy for money. Value of one unit of money in a period of time is equal to the value of one unit of money at starting point of period plus interest value. Therefore interest is an excess that creates surplus value during the time period, and not price of money. If interest were price of money, it would be equal to value of one unit of money. But in different time periods interest may be less than or equal or greater than value of one money unit which does not conform to price implication.

Other different definitions of precedent economists often are related to capital essence of interest. On the other hand, the derived income resulting from different assets such as capital goods, financial resources, wealth, human capital, entrepreneurship has different definitional ambiguity. Since, capital similar to interest has different meanings. Capital functioning also increases vagueness of the problem. For example, in one problem, technology and land may be classified as factors of production and different from capital. In another problem may be classified as capital.

Neoclassical economists interpret interest as the surplus resulted from postponement of consumption. On the other hand, capital owner postpones his consumption and loan it till at the

[33] Nesa: 59. أَطِيعُواْ ٱللَّهَ و أَطِيعُواْ ٱلرَّسُولَ وَ أُولِي ٱلأَمْرِ مِنْكُمْ

[34] Tugot A. R. J(1727-1781) dose not agree with this definition too. He defines interest as the value of an asset in definite period of time.

end of period by his capital and the derived interest will get more consumption. This may be defined as supply of investment sources incentive. At demand side, the investor demands financial sources to produce value added. Thus, whenever the interest rate is less than capital rate of return, investor demand for receiving loan increases. This simple mechanism is the base of incentives for requesting and granting loans which has sophisticated mathematical presentation in related literatures.

Let us assign the term "interest" to financial capital. Financial assets are credible capitals and include valuable papers and notes and coins which are physically invaluable but possess high credible values. We assign productivity to all kind of capitals, this means that capital is a production factor and accompanying with other production factors produces value added. Financial asset/capital can be treated as a kind of capital -in general definition.

Now, other element is defined as monetary intermediary or bank. His duty is to intersect demand and supply schedules of financial resource at the market. Banks or financial intermediaries are responsible for collecting financial resources of suppliers and sale them to investment demanders.[35] If bank operated as an intermediary, that is: receiving only a percentage of demander interest paid to supplier of resources from one side or both sides of transaction, we would had a simple model of financial transaction, and many juristic problems would be removed. However, bank operates as profit-maximizing firm and does not work as pure intermediary. This means that in financial market instead of one supply and one demand we have two supplies and two demands schedules. That is bank is a supplier and demander. When bank comes into account, we will have two markets naming saving market and loan market. In the former, bank demands and in the latter, supplies financial resources.

Bank's endeavor as profit-maximizing firm is to widen the banking spread (difference of loan and saving interest rates). Widening banking spread causes the banks revenue to be increased and banking competition tightens the spread. Thus, bank in saving market is demander and in loans market is supplier. In the first market saving interest rate and in the second market loan interest rate are determined.

Now we try to investigate the bank's behavior in these two markets by a juristic-economic approach. To analyze this, we are going to compare the concepts of interest, usury and profit.

Usury

Usury in Arabic terminology[36] means "excess". There are lots of discussions about this term in the literature and all of them more or less imply usury as: excess of property over the

[35] See: M.N. Siddigh (2000).

[٣٦] لسان العرب، ابن منظور، جلد ١٤، ص ٣٠٥

capital regarding a time repayment.[37] Ragheb Isfahani[38] means usury in Islamic legislation as: "excess of property with no acceptable reason".[39] In Quran, the following verses are about usury:

> *"That which ye give in usury in order that it may increase (other) people's property hath no increase with Allah; but that which ye give in charity, seeking Allah's countenance, hath increased manifold"*[40]
>
> *"And of their taking usury when they were forbidden it, and of their devouring people's wealth by false pretenses. We have prepared for those of them who disbelieve a painful doom"* [41]
>
> *"O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful".* [42]
>
> *"Those who swallow usury cannot rise up save as he ariseth whom the devil hath prostrated by (his) touch. That is because they say: trade is just like usury; whereas Allah permitteth trading and forbiddeth usury. He unto whom an admonition from his lord cometh, and (he) refraineth (in obedience thereto), he shall keep (the profits of) that which is past, and his affairs (henceforth) is with Allah. As for him who returneth (to usury) – such are rightful owners of the fire. They will abide therein. "* [43]
>
> *"Allah hath blighted usury and made almsgiving fruitful. Allah loveth not the impious and guilty. "* [44]
>
> *"O ye who believe! Observe your duty to Allah, and give up what remainth (due to you) from usury, if ye are (in truth) believers. And if ye do not, then be warned of war (against you) from Allah and his messenger. And if you repent, then ye have your principal (without interest). Wrong not and ye shall not be wronged. And if the debtor*

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[37] المحقق الحلي في مختصر النافع: **وَيَثْبتُ [الرِّبا] فِي كُلِّ مَكِيلٍ أَوْمُوزونٍ مَعَ الْجِنْسِيَةِ وَ ضابطُ الْجِنْسُ مَايَتَنَاوِلُهُ إسمُ خاصٍ.** و في شرايع الاسلام: **وَ هُوَ يُثْبتُ فِي الْبَيعِ مَعَ وَصْفِين: اَلْجِنْسِيةُ وَ اَلْكِيلُ أَوْاَلْوَزْنُ، فِي الْقَرْضِ مَعَ اِشْتِراطِ نَفْع. الشهيد الاول في لمعة الدمشقيه: اَلْمُتَجانِسانَ إذا قُدِّرا بِالْكَيلِ أَوْ الْوَزنِ وَ زادَ أحَدَهُمَا.**

[38] راغب اصفهاني، المعجم المفردات الفاظ القرآن، ص ١٩٢، انتشارات دارالفكر بيروت، لبنان.

[39] **اَلزِّيادَةُ عَلَي رَأْسِ اَلْما لِ مِنْ أَحَدِ مُتَسَاوِيين جِنْساً مِمَّا يُكَال أَوْ يُوزَن** .ادوار فقه استاد محمود شهابي، منقول من الكنز العرفان.

[40] Rome, 39. **مَا آتَيْتُمْ مِنْ رِباً لِيَرْبُوَاْ فِي أَمْوَالِ اَلنَّاسِ فَلا يَرْبُواْ عِنْدَاَللهِ وَ مَا آتَيْتُمْ مِنْ زَكَاةٍ تُرِيدُونَ وَجْهَ اَللهِ فَأُوْلَئِكَ هُمُ اَلْمُضْعَفُونَ**

[41] Nesa, 161. **وَ أَخْذِهِمُ اَلرِّبا وَ قَدْ نُهُواْ عَنْهُ وَأَكْلِهِمْ أَمْوا لَ اَلنَّاسِ بِاَلْباطِلِ وَ أَعْتَدْنا لِلْكافِرِينَ مِنْهُمْ عَذَاباً أَلِيْما**

[42] Ale-Omran, 130-132.
يا أَيُّها اَلَّذِينَ آمَنُوا لاتَأْكُلُوا اَلرِّبا أَضْعافاً مُضاعَفَةً وَ اَتَّقُوا اَللهَ لَعَلَّكُمْ تُفْلِحُونَ وَ اَتَّقُوا اَلنَّارَاَلَّتِي أُعِدَّتْ لِلْكافِرِينَ وَ أَطِيعُوا اَللهَ وَ اَلرَّسُولَ لَعَلَّكُمْ تُرْحَمُونَ .

[43] Baghareh, 275.
اَلَّذِينَ يَأْكُلُونَ اَلرِّبا لايَقُومُونَ إلّا كَما يَقُومُ اَلَّذِي يَتَخَبَّطُهُ اَلشَّيطانُ مِنَ اَلْمَسِّ ذلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا اَلْبَيْعُ مِثْلُ اَلرِّبا وَ أَحَلَّ اَللهُ اَلْبَيْعَ وَ حَرَّمَ اَلرِّبا فَمَنْ جاءَهُ مُوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَي فَلَهُ مَا سَلَفَ و أَمْرُهُ إِلَي اللهِ وَ مَنْ عَادَ فَأُوْلَئِكَ أَصْحَابُ اَلنَّارِهُمْ فِيهَا خالِدُونَ.

[44] Baghareh, 276. **يَمْحَقُ اَللهُ اَلرِّبا وَ يَرْبِي اَلصَّدَقاتِ وَ اَللهُ لا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ**

is in straitened circumstances, then (left there be) post-ponement to (the time of) ease; and that ye remit the debt as almsgiving would be better for you if ye did but know" [45]

Shiite and Sunnite jurists are unanimous in usury commandments and recognize it as unlawful by referring to Quran, tradition, and narratives and consensus. As a juristic idiom, usury is receiving excess in transaction of two commodities of the same kind, which are weighable or measurable, or receiving of excess in loan. According to this definition, usury can be classified to "barter usury" and "debt usury". In the former, the loaned commodity is returned back to lender with some excess of the same commodity (not other kind of commodity). In the debt usury, any conditioned excess in loan is usury, even the excess be in any kind of commodities, services or gains of using the loan. In debt usury, there is no difference between weighable, measurable, numerable and observable.

Exiting usury bound

Jurists do not identify juristic trick to exit usury bound as allowable. That is, if the main purpose of lending is receiving usury but tries to apply juristic trick to legalize it by showing that it is a transaction and not usury, is not lawful. This means that he tried to fraud Allah. This trick has two sins, one for usury and one for fraud. To defend this proposition they refer to two important rules. The first is: "contracts are subjected to the purposes". And the second: "actions are due to intents".

In juristic texts, there are some exceptions to escape from committing usury. The first group is called "commandmental exit" such as usury between father and child, wife and husband, Moslem and impious pertaining to war. However, the latter does not sense in these ages[46]. That is according to Quran definitions, impious pertaining to war does not exist.

The second group is called "subjective exit". That is to act in a way that the subject of usury does not conform to the action. This category includes; transaction on credit; conditional transaction; currency exchange; annexing non-kind annex; replaced gift; saving in a manner that interest payment is according to borrower's option. Some jurists believe that subjective exit also can be encountered in restriction of usury in double usury and being lawful in productive lending. There are also lots of explanations to legalize usury in rate of inflation and paying excess in debt transmission (repayment) delay. However, the former is more doubtful but the latter is less erectable.

Consumption and Investment Loans

We focus on non–usury lending in production loans. Intellectual reasons of usury prohibition have been discussed by Islamic economist and many of them are conceivable. The reasons such as fairness and equality establishment financing, full employment and optimal

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[45] Baghareh, 278-280.

يا ايُّهَا ٱلَّذينَ آمَنُواْ ٱتَّقُواْ ٱللهَ وَ ذَرُواْ مَا بَقِيَ مِنَ ٱلرِّبٰا إن كُنْتُمْ مُؤْمِنينَ فَإنْ لَمْ تَفْعَلُوا فَأْذَنُوا بحَرْبٍ مِنَ ٱللهِ وَ رَسُولِهِ وإنْ تُبْتُمْ فَلَكُمْ رُؤُوسُ أَمْوٰالِكُمْ لا تَظْلِمُونَ و لاتُظْلَمُونَ وَ إنْ كٰانَ ذُوعُسْرَةٍ فَنَظِرَةٌ إلَي مَيْسَرَةٍ وَ أَنْ تَصَدَّقُوا خَيْرٌ لَكُمْ إنْ كُنْتُمْ تَعْلَمُونَ

[46] See: بيدآباد و هرسيني (١٣٨٣)

growth of economy, fair redistribution of wealth; economic stability and similar reasons are cited as intellectual causes of usury prohibition. Quran expositors cite other reasons as payment without replacement, prevention of commerce and borrowing and unfair wealth distribution, increasing social class differences, loosing human benevolence; profiteering, and increasing social crises, oppression, moral losses and many similar reasons.

Economically, by considering different opinions we can conclude that the main theosophy of usury prohibition is excess receiving without producing value added. As it cited before in barter usury; transaction is done for a commodity by the same kind of commodity with some excess in weight/measure. Barter usury, simply by annexing non-kind annex becomes lawful. That is one may lend 1 ton wheat and receive 10 ton wheat with 1 gram of something else let's say salt at the end of period. This is completely obvious that the intent of legislator had not been to increase the transaction formalities. The theosophy principle in jurisprudence affirmates that legislation of this law have been done for more important causes and not an incremental barter exchange. On the other hand, Islam legislator is wise and theosophist. His approach to usury prohibition is that: if a person does not share in profit or loss of value added production, what would be his share of the produced value added? The answer can be: nothing. This exposition is verified by other verses of Quran as: *"And that man hath only that for which he maketh effort"*.[47] This theosophy is also true for the loan usury. Since one lends money to other and at the end of period receives some excess and this is not lawful. The lawfulness can be exposited in this way that he has not been directly impressed in the process of value added production. If borrower gains or losses, lender receives his excess. This excess is unlawful. This is the elegant difference of usury and other legal Islamic financial contracts as financial partnership ("Mozarebeh") and other Islamic financial contracts. In Islamic financial contracts the share of profit or loss is determined to be paid to lender. But in usury contract the rate of excess repayment (usury) is conditioned a priori. In the former the lender participate in profit/loss of investment and in the usury contract he does not.

The both contracts are the same if the planned profit is equal to actual profit of investments and this occurs seldom, because the non-zero risk rates and market changes and planning deviations are inherent characteristics of investment. This reasoning is also deducible from this verse: *"O ye who believe! Devour not usury, doubling and quadrupling. Observe your duty to Allah, that ye may be successful."*[48] That is, Quran prohibits usury receipt over usury (or compound interest) and this is the case when borrower can not fulfill or repay his debt and fall in debt compounding inevitably. This is the case in which first: lender is not investment partner and does not participate in profit or loss of investment project; and second: loan has been expended to purchase unproductive goods, or investment was unproductive; on the other hand, the loan has been expended for consumption and not for investment. This is the difference between investment and consumption loans.

For this reason in the verse: *"And if the debtor is in straitened circumstances, then (let there be) post-ponement to (the time of) ease; and that ye permit the debt as almsgiving would be*

[47] Najm: 39. لَيْسَ لِلْإِنسانَ إِلّا ماسَعىٰ

[48] Ale-Omran: 130. يا أَيُّهَا ٱلَّذِينَ آمَنُواْ لاتَأْكُلُوا ٱلرِّبٰا أضْعٰافاً مُضٰاعَفَةً

better for you if ye did but know"[49], emphasizes that would be better to not receive the loan principle and interest whenever the borrower is in straitens. And to confirm this almsgiving says: *"Allah hath blighted usury and made almsgiving fruitful*".[50] And based on this reasons swallowing this property has been negated by the verse: *"And of their taking usury when they were forbidden it, and of their devouring people's wealth by false pretences"*. [51]

The reasoning in Quran explanation of Soltan Mohammad Gonabadi[52] about the verse: *"They say: trade is just like usury whereas Allah permitteth trading and forbiddeth usury"*[53] is referring to this point that usury (Reba) in Arab words was not used by the meaning in jurisprudence, and usury had been being used for some kind of debt repayment delay penalty which makes usury unlawful. He says[54]:

> *"They said the trade by increasing the price is the same as usury in excess, thus usury is ok as trade is ok. Therefore the similarity of these two is in excess of repayment and this excess is Reba (usury) and comparison between trade and usury is not a matter of their correctness and this objection to the correctness of trade is not the case. Thus it deserved to be said: usury is the same as trade and not: trade is the same as usury. Thus this objection is not right. And by this point that they resemble trade to usury in excess of price refers to similarity of trade to usury because of permited situation of trade and they used this resembling to espress their intents more explicit. Thus, Allah broke their analogy and said: "Allah permitteth trading". This expression is a response to their proposition. And continued: "and forbiddeth usury". This means that: correctness and incorrectness are not because of similarity of trade and usury*

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[49] Surah: Baghareh, Ayeh: 280. **إِنْ كَانَ ذُوعُسْرَةٍ فَنَظِرَةٌ إِلِي مَيْسَرَةٍ وَ إِنْ تَصَدَّقُوا خَيْرٌ لَكُمْ**

[50] Surah: Baghareh, Ayeh: 276. **يَمْحَقُ ٱللهُ ٱلرِّبٰا وَ يَرْبِي ٱلصَّدَقٰاتِ**

[51] Surah: Nesa, Ayeh: 161. **وَ أَخْذِهِمْ ٱلرِّبٰا وَ قَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوٰالَ ٱلنّاسِ بِٱلْبٰاطِلِ**

[52] بيان السعاده في مقامات العبادة

[53]Ssureh Baghare; Ayegh 275. **قٰالُوا إِنَّمٰا ٱلْبَيْعُ مِثْلُ ٱلرِّبٰا وَ أَحَلَّ ٱللهُ ٱلْبَيْعَ وَ حَرَّمَ ٱلرِّب وَ حَرَّمَ ٱلرِّبٰا**

[54]... **[ذٰلك]** الأكل منهم بواسطة مغلطةٍ وقعت منهم او ذٰلك العقاب لهم **[بِأَنَّهُمْ]** قاسوا الربوا بالبيع حيث رأوا جواز البيع بضعفي القيمة السوقيّة للسّعلة فقاسوا هذا البيع في زيادة الثّمن عن قيمة السّعلة بالبيع الرّبويّ في زيادة العوض عن اصل المال و **[قٰالُوا إِنَّمٰا ٱلْبَيْعُ]** بزيادة الثّمن **[مِثْلُ ٱلرِّبٰا]** في الزّيادة فيصحّ الرّبوا كما يصحّ هذا البيع فالتّشبيه انّما وقع في زيادة العوض و الاصل في لذٰلك هو الرّبوا لا في الصّحة حتّي يرد انّ الاصل في الصّحة هو البيع فينبغي ان يقول انّما الرّبوا مثل البيع و انّما شبّه البيع بالزّيادة عن القيمة بالرّبوا كناية عن تشبيه الرّبوا بالبيع في الصّحة ليكون ابلغ فأبطل تعالي قياسهم بقوله تعالي **[وَ أَحَلَّ ٱللهُ ٱلْبَيْعَ]** حال بتقدير قد او عطف **[وَ حَرَّمَ ٱلرِّبٰا]** يعني انّ الصّحة و الفساد ليسا بالتماثل في الصّورة انّما هما بأمر الله و نهيه، قيل: كان الرّجل منهم اذا حلّ دينه علي غريمه فطالبه به قال المطلوب منه: زدني في الاجل و ازيدك في المال فيتراضيان عليه و يعملان به، فاذا قيل لهم: هذا ربواً قالوا: هما سواءٌ يعنون بذلك انّ الزيادة في الثّمن حال البيع و الزّيادة فيه بسبب الاجل عند محلّ الدّين سواء. اعلم انّهم كانوا في الجاهليّة يتّجرون و يستربحون بان يدينوا مالاً الي اجل بربحٍ معلوم كما هو ديدن اهل زماننا و كانوا يقولون: هذا الرّبح عوض تعطيلً مالناً عن التّجارة، او يدينوا جنساً من مثل الحنطة و الشّعير الي اوان بلوغه بازيد من ذلك الجنس و كانوا يقولون ان كان قيمته عشرة معجّلاً صحّ ان نبيعه بخمسة عشر مؤجّلاً فصحّ ان نقرضه عشرةً بخمسة عشر مؤجّلاً، و لّما كان في ذلك الاتّكال علي الرّبح و ترك التّوكّل علي الله و تعطيل الاعضاء و القوي عن الحركة في طلب المعاش الّتي هي اعظم اقسام العبادات و تعطيل النّفس عن التّضرّع و الالتجاء الي الله و المسئلة منه و اضرار المدين بأخذ ماله بلاعوضٍ و ترك اصطناع المعروف بالقرض الحسن و كلّ ذلك كان مخالفاً لما اراده تعالي من عباده نهي الله تعالي عنه و شدد علي فاعله، ...

but, is because of normative and negation of God. Some other said: whenever in maturity (due) date ower requested his owe, debtor demanded inereasing repayment period and excess and agree to postpone the repayment. Whenever it was said to them that this is usury, they respond both are the same. Their intents were that: increasing the price of commodity in time of sale and increasing the loan by lengthening its period are equal. In the age of ignorance (paganism) they traded in this way and loaned a property for a due date with a determined/conditioned profit - as it is prevailed in our age. Then they said this profit that we receive is compensation of the time period that our commodity has not been used in commerce and had been idle. Or loaned a commodity like wheat and barley up to harvesting time and receive more than they had loaned and said cash price is for example 10 drachmas and it is right to credit sale by 15 drachmas and it is right to loan to 15 drachmas. Since this action completely relies on profit/gain and reliance to God is left and body members and powers in searching livelihood which is of the most important worship and adoration had been stopped and left idle and the soul has stopped from supplication and praying God and the debtor has been harmed by receiving his property without compensation/replacement and the good work of "good loan" (loan without excess repayment) is left and all these affairs which are opposite to the God's will for his bondmen caused the God to prohibit usury and clash to usurer." [55]

By this explanation about the theosophy of unlawfulness of usury, we can summarize that: if the debt resources are to be expended in consumption is encountered as usury and is prohibited. And if is expended in investment, then the excess receipt is profit and lawful. The above reasoning leads us to the theosophies of the legislator in forming production activities. By the name production we mean value added as system of national and product accounts of United Nations encounters in production and transaction of goods and services in all sectors of economy. In summery:

1. The loaner must share in profit and loss of the economic activity of loan receiver.
2. The rate of interest -because of inability to determine the capital productivity rate a priori- should not be determined and conditioned in advance.
3. Receiving interest in consumption loans is usury and not allowed.

According to these theosophies of usury prohibition, some of Shiites and Sunnites jurists consider non-usury of investment loans.[56] Though, some others encounter this as a trick to exit usury. Summing up different reasoning and scrutinizing the Quran indications and narratives, consolidates the conclusion that it is not a trick to exit usury and reveals wisdom of God's

[٥٥] حاج ملا سلطانمحمد بيدختي گنابادي سلطانعليشاه، بيان السعاده في مقامات العبادة، چاپ دانشگاه تهران، ١٣٤٦. ترجمة محمد رضاخاني و حشمت الله رياضي، سازمان چاپ و انتشارات وزارت فرهنگ و ارشاد اسلامي، جلد سوم، صفحات ١٥٠-١٤٩، تهران، ١٣٧٧.

[٥٦] عبدالرزاق سنهوري: مصادر الحق في الفقه الاسلامي، ج٣. ص٢٣٣.

decree. Of course the theosophy of forbidding usury has also been cited from the social view points which we do not touch them in this paper.[57]

This group believes that in the age of the prophet and legislation of usury, in Arabia, usury was applicable in consumption loans, and majority of loans were financed for consumption needs and Islam prohibited these loans. Thus, loans with interest in production affairs were excluded from usury realm.[58] That is, for example one who borrows to construct or to buy house will benefit from this investment and is fully rational to pay some share of this profit to lender. This share may be as some percents of profit or be in different forms of Islamic contracts. Juristic opinion and decrees of Shiite and Sunnite jurists about sale and purchase of note strengthen this proposition. The decrees about the lawfulness or unlawfulness of purchasing note have a wide range of fully lawful to completely unlawful. Many jurists believe that notes are numerable and not weighable and measurable, thus its transaction is lawful. They encounter note as commodity. Other group believes that purchasing/sale of note is unlawful because it is debt usury. This group believes that note is an instrument to purchase and sale commodity and is representative to enumerate the commodity value and has no propertyship by itself. Comparison of various conflict decrees leads to an important conclusion. Since, some decree that note lending is legal and some other decree as illegal. That is, some decree that note lending-which is another expression of loan- to lawful and some decree to unlawful. On the other hand, some say usury is legal and some other says it is illegal. These conflicts enlighten two important propositions.

1. The juristic deduction methodology needs revision.
2. Ignorance to theosophy principle of jurisprudence is the main source of conflicts.[59]

Regarding the first paradigm, if we ask this question (usury definition) from "this age divine legislator", we would receive a unique response that pass over the conflicting decrees and rule them out. Thus, the methods to find out the legislator opinion should be different with prevailed methodology. As it mentioned in the first part of the paper, the methodology of juristic deduction has many shortages and necessitates revision. The permitted person who has divine authority is the solution to this problem. On the other side, the juristic deduction methodology is not a scientific methodology. If it were, its answer to unique particular problem should be unique. But in juristic deduction we find different decrees and solutions to a specific (unique) problem. That is, it does not posses a scientific methodology[60].

[57] رسالة رفع شبهات جناب حاج سلطانحسين تابنده گنابادي. صفحات ۱۵۵-۱۵۲. انتشارات حقيقت، ۱۳۷۷، چاپ پنجم.

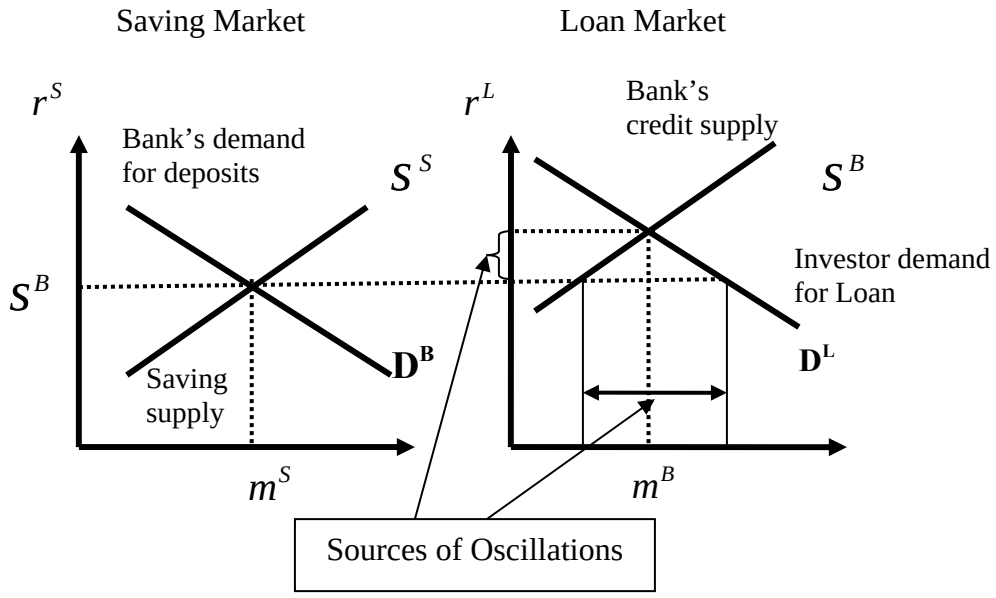
[58] حضرت آقاي دكتر نورعلي تابنده، مجموعه مقالات فقهي و اجتماعي، انتشارات حقيقت، تهران، ۱۳۸۰.

[59] This is also occurred in mulct (blood-money). Murderer has option to pay blood-money as one of the following items: 100 camels or 200 cows or 1000 sheeps or 200 cloths or 1000 gold dinars or 10000 silver Derhams. See:
حضرت آقاي دكتر نورعلي تابنده، مجموعه مقالات فقهي و اجتماعي، انتشارات حقيقت، تهران، ۱۳۸۰.

[60] By a scientific methodology, similar experiments will result unique conclusion. This comes from "scientific law" definition.

Usury initiates real sector fluctuations

By the second paradigm, we try to analyze the economic theosophy of usury prohibition. Generally, many economic fluctuations in real economy come from money market oscillations. There are huge literatures about this proposition in economic literature. If the money market fluctuation of the economy dampens, then real economy will become much stable. The main effect of usury deletion from the economy is to make direct link from the economy's real sector (investment at first) to saving sector. As it cited before whenever banks are profit maximizer, financial intermediaries will operate as an independent sector and the created differences in demand and supply sides of money resources will be the main sources of oscillation in the economy. On the other side, since, loans contracts are time period contracts; there should be a delay for the market agents to adjust themselves with new interest rate and market conditions. This delay is the source of continuous oscillations, in financial markets. This phenomenon is displayed at the following figure:



S^B	Bank's loan supply
S^S	Depositors' supply of saving deposits
$\mathbf{D^L}$	Investor's demand for loan
$\mathbf{D^B}$	Bank's demand for resources
r^S	Saving deposit interest rate
r^L	Loan interest rate
m^S	Amount of saving
m^B	Amount of loans
R^B	Bank's revenue

Bank's revenue at time t will be equal to interest received from loans, less interest payments to depositors:

$$R_t^B = m_t^B r_t^L - m_t^S r_t^S \quad (1)$$

At the loan market in equilibrium we have: amount of loans equal to investor's demand for loans and bank's loan supply at time t:

$$m_t^B = D_t^L = s_t^B \quad (2)$$

And also at the saving markets, at equilibrium, we have the equality of amount of saving and bank's demand for resources and depositors' supply of saving deposits. That is:

$$m_t^S = D_t^B = s_t^S \quad (3)$$

Suppose that demand for loan shifts down. In this case D_t^L shifts lefts to D_{t+1}^L and in the new equilibrium:

$$r_{t+1}^L < r_t^L \quad (4)$$

Now, if the bank's revenue becomes negative:

$$R_{t+1}^L = m_{t+1}^B r_{t+1}^L - m_t^S r_t^S < \circ \quad (5)$$

Consequently, because of bank's time contracts, bank should finance his loss of the year t+1 from other sources and then at the next period by shifting D^B to the left will compensate it. That is:

$$r_{t+2}^S > r_{t+1}^L \quad (6)$$

$$R_{t+2}^B = m_{t+1}^B \; r_{t+1}^L - m_{t+2}^S \; r_{t+2}^S > \circ \quad (7)$$

By generalizing this phenomenon, we will observe that any shock in supply of saving resources or demand for loans-because of time dependent contracts and consequently their inflexibility to adjust- will transfer to other market and oscillations will be transferred from saving to investment market and then from investment to saving market. Real economy will suffer from this oscillation and the business cycle occurs.

By examining sign of the three equations of (1) and (5) and (7), it is obvious that the behavior of R^B in different periods is oscillatory. Behavior of saving and loan markets can be modeled as a cobweb model that will have different time oscillations relating to the slopes of the demand and supply schedules in both markets.

The interest rates at the two markets will be:

$$r_t^S = r^S(m_t^S) \tag{8}$$

$$r_t^L = r^L(m_t^B) \tag{9}$$

If based on the cited assumptions, the relation of two markets adjusts by one period lag, then:

$$m_{t+1}^S = f(m_t^B) \tag{10}$$

Replacing (8) and (9) in (10):

$$r_t^S = r^S(f(m_{t-1}^B)) = r^S(f(r^{L^{-1}}(r_{t-1}^L))) \tag{11}$$

On the other hand, interest rate in saving market is a function of interest rate in credit market at previous period. This adjustment will complete by the return path in the next periods. That is the interest rate of credit market is a function of saving interest rate at pervious period. That is:

$$m_{t+1}^B = g(m_t^S) \tag{12}$$

By replacing (10) in (12), we will have:

$$m_{t+1}^B = g(f(m_{t-1}^B)) \tag{13}$$

This equation is a second order difference equation. This equation type can oscillate simply during the time. This will be also true for the interest rates. By replacing (12) in (10) we have:

$$m_{t+1}^S = f(g(m_{t-1}^S)) \tag{14}$$

This equation similar to the previous one can be oscillatory. By replacing (12) in (9), we will have:

$$r_t^L = r^L(g(m_{t-1}^S)) = r^L(g(r^{S^{-1}}(r_{t-1}^L))) \tag{15}$$

Equation (15) and (11) are function of m_{t-1}^S and m_{t-1}^B and these two variables can be oscillatory according to (13) and (14). Thus, interest rates similar to saving and loans resources in both markets can be oscillatory.

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