



Ethics, Norms and Finance: What Are We Talking About?*

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*You can get along with people who do not speak the same language,
but you cannot get along with people to whom words do not bear the same meaning*

These words of the French biologist Jean Rostand can be appropriate in certain situations and inappropriate in others, to the extent where the difficulty of communication could provide an opportunity to know the other better, if is accompanied by listening effort. Listening to the other is not only hearing out his/her conversation and seizing the sense of it. It is taking into account the different possible meanings of the used words, their interaction with the social, cultural, symbolic and affective aspects.

After reading the most contributions that have been made so far to the chair '*Ethics and financial norms*' and listening to the debates they have generated, it sometimes appears difficult to share the same universe of meanings and the same forms of expression of these meanings. Hence the legitimate question: « *What are we talking about?* » which intervenes, regularly, in many fields of knowledge, both among specialists from different disciplines, and between scholars from the same knowledge field. The goal is not to deny the differences, but to use them wisely for opening paths of hope. Evoking the informal conversations he had with the King Faisal between 1919 and 1920, Louis Massignon (1952, p. 17) said he was trying to make him understand that his system of ideas was not entirely his own, but that, nevertheless, through the exchange of ideas, "*there could be elements of common hope*" between Saudi Arabia and France.

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As part of this Chair, the exchange of ideas and views is an act of openness and discovery favoring the development of complementarities. The interaction between French thought, deemed particularly critical compared to the Anglo-Saxon thinking, and the Islamic thought, sometimes perceived as fundamentally related to principles¹, may raise new questionings and open new routes of research through a dynamic pendulum movement (Goody, 1999) or two way process (Wilson, 2007).

The article is structured as follows: the first part is devoted to the genesis of the Chair. The second part explores the barriers to communication. The third part discusses the interaction between ethics, norms and finance to outline an appropriate questioning framework. The last part summarizes and discusses the main findings before proposing several routes for reflection.

I. Genesis of the Chair

The analysis of the genesis of the Chair is crucial in the sense that it allows to place the topic in its original context and, therefore, to better exploit different activities of the Chair.

The financial crisis of 2008 has stimulated the debate on the ethics in finance so that is not exclusively focused on the return of capital. The French interest in Islamic finance has appeared in this context (Gueranger, 2009, pp. 1-2). As indicated by Gérard Mestrallet, President of *Paris Europlace* responsible for enhancing the competitiveness of the Paris financial centre, expressed in the beginning of the year 2009: "*The global financial crisis calls into question the development models of conventional finance. This major upheaval gave Islamic finance momentum that it did not have a few months ago*"².

Moreover, the financial crisis has placed the accounting and prudential rules of finance on the bench for the accused. In front of the magnitude of the disfunctionments revealed by the crisis, it has appeared necessary to rebuild the financial norms through a multidisciplinary reflection. A seminar titled "*Refoundation of the financial norms*", has been organized in this perspective, jointly by the *Fondation Maison des Sciences de l'Homme* (House of the Sciences of Man Foundation) and the University Paris 1 Panthéon - Sorbonne, the 27th November 2009³.

The holding of the Franco-Saudi forum for the dialogue of the civilizations at the University Paris 1 Panthéon - Sorbonne, from the 15th to the 16th of March 2010, has

¹ The originality of thinking based on principles is to connect parts of a basic principle. This methodology allows putting an order in ideas, developing priorities in accordance with the purpose intended (Guenon, 1987, p. 157). For classical Muslim scholars, "*the thorough knowledge cannot be acquired without the study of fundamentals*" (Al-Saadi, 1998, p. 193).

² Preface of Jouini and Pastré (2009, p. v).

³ From this workshop resulted a collective book in French titled "*New financial norms, to organize facing the crisis*" (Walter, 2010).

launched the idea of the creation of the Chair, following a session devoted to Islamic finance in the context of the worldwide financial crisis and the increasing interest in Islamic finance in Europe, particularly in France⁴. After fruitful exchanges, the President of the University Paris 1 Panthéon - Sorbonne signs with the Saudi Minister of Higher Education, the 8th January 2011, an establishment of a framework agreement of a Chair in collaboration with King Abdulaziz University in the field of ethics and financial norms⁵. The Islamic finance, which makes the object of thesis (Couret, 2010, p. 13) and teaching (Merbouh et Pradier, 2012, pp. 229-231) at the University Paris 1 Panthéon - Sorbonne, constitutes one of the major subjects of the Chair.

The topic of the Chair fits in a particular context of unprecedented crisis in the financial sector and subscribes the interpretation of the financial crisis in terms of ethical deficit, assuming that global finance has no aspect that could be considered ethical, and expresses a genuine for reflection beyond the classic theme « ethical finance » and it induced classifications, such as the fact of considering Islamic finance as a compartment of ethical finance. The adoption of such approach reduces the scope of the alternative finance by assimilating its products and services as if they were interest-based instruments.

The confrontation of the approaches aims, moreover, to exceed the formulas in fashion « *to moralizing finance* » or « *introduce ethics in finance* », because such formulas presupposes that there is no ethics yet in finance and that the conceptual tools and techniques of finance are ethically neutral. Beyond moralizing the finance and linking it to real economy, it is to getting financial activities back to the rightful place⁶ and, therefore, to be free from the influence of the financial ethos. Through his saying "*I do not write to make a living, I make a living to continue writing*", the Spanish writer Juan Goytisolo reminds that the sense of moderation, is a universal art of living which transcends languages and cultures.

II. The eventual obstacles to the communication

The debates of the Chair reveal sometimes communication difficulties whose examination has identified four key areas. The first is traductodologic, the second definitional, the third legal and the fourth is linked to the classical opposition between the positive and the normative that needs to be revisited.

⁴ See the Second recommendation of the forum (2010, p. 106).

⁵ <http://cenf.univ-paris1.fr/accueil/presentation/>

⁶ The Arabic equivalent to the word « economy », i.e. « *iqtisad* » (اقتصاد), means « *moderation* », « *middle position* » (Ibn Abd Al-Salam, 1990, p. 339). It invites to an art of live for the practice of the measure in all things, including spiritual practice.

II.1. Traductologic aspect

The original title in French of the Chair is « *Ethique et normes de la finance* ». It can be understood for francophones in two ways: the first: « *Ethics of finance* » and « *norms of finance* »; the second: « *Ethics* » and « *financial norms* ».

It is the same for the Arabic translation adopted by the Chair « *akhlaqiyat wa dhawabit al-tamwil* » (أخلاقيات وضوابط التمويل). It sometimes appears in certain medias under the form « *akhlaq wa dhawabit al-tamwil* » (الأخلاق وضوابط التمويل), which literally means « *moral and financial norms* ».

The English translation seems more explicit in the sense that it only leaves a single possibility « *Ethics and Financial Norms* », otherwise it would have taken the form « *Financial Ethics and Norms* ». This confirms that the subject of the Chair is to explore the interactions between ethics and finance beyond the common expression « *financial ethics* » and « *ethical finance* ».

The word « *ethics* » is usually translated into Arabic by « *akhlaq* » (أخلاق) whose equivalent in French is the term moral. The translation by « *akhlaqiyat* » (أخلاقيات), adopted by the Chair, seems more suitable.

In general, the Arabic literature on Islamic finance does not distinguish between ethics and moral. This leads to confusion in the interpretation of the debate on ethical finance by assimilating it to a question of morality.

This confusion leads sometimes to the conclusion that ethical finance reflects an interest for religious values. However, the ethical finance movement has experienced three generations: the screening based on certain religious injunctions, then the activist approach and, finally, the funds based on social and environmental responsibility.

The word « *finance* » has been translated in the past by « *maliyah* » (مالية) (Sidiqqi, 1998, p. 47). The translation by « *tamwil* » (تمويل) was then gradually imposed, especially since the financial crisis when he has as an equivalent the word « *financing* » (Reig, 1989, No.5228).

Lastly, the word « *norms* » is generally translated by « *ma'ayir* » (معايير), « *dawabit* » (ضوابط), « *qawa'id* » (قواعد) or rules and, sometimes, by « *ahkam* » (أحكام) or injunctions. Thus, Jacques Berque (1993, p. 79) noted that the word « *hukm* » singular of « *ahkam* »: "Despite its large extension, this term is what I think of more appropriate to match the French word « *norme* ». The English equivalent, i.e. « *standard* », often means dominant norm or which is intended to be a dominant norm. The table below summarizes the translations discussed above.

Table 1. Summary of main translations related to the title of the Chair

Arabic	English
ضوابط	norms
قواعد	rules
معايير	standards
تمويل	finance
أخلاقيات	ethics
أخلاق	moral

The English and Arabic translations pose apparently no particular problem. They are limited to the terminological aspect and, so to speak, resisted to the temptation of ideological translation. The question, however, is whether or not the translated words have the same meaning for the participants. This leads to the exploration of the definitional aspect, i.e. « *What are ethics?* », « *What are norms?* », « *What is finance?* » as in the French financial literature than in the Islamic finance literature.

II.2. Definitional aspect

In the French financial literature, the word ethics is rarely defined. The use of formulas, such as « *descriptive ethics* », « *normative ethics* », « *analytical ethics* », « *empirical ethics* », « *casuistic ethics* » and dichotomies, such as « *deontological ethics / teleological ethics* » or « *ethics of conviction / ethics of responsibility* », reflects more to a difficulty to identifying the object than a progress in thought. When it is specifically related to finance, ethics refers to the idea of financing economic activities corresponding to what is supposed to be good. In this context, it is better to talk about the field of ethics, which plurality of practices that guide the action is opening out, rather than ethics in the singular.

The notion of financial norms "*refers both to the accounting standard system, the framework of prudential activities, and the governance that legitimate professional practices*" (Rodarie *et al.*, 2010, p. 1).

The word finance, originally associated with money, bill of exchange, currency exchange and loan with interest, refers today to all the activities that make possible and organize the financing of economic agents which need capital by agents with a surplus of fund. It therefore applies to research funding, to research by the owners of surplus of capital investment and, finally, to all those who organize the convergence between these two types of actors such as banks and financial markets⁷.

⁷ http://www.vernimmen.net/html/glossaire/definition_finance.html

In Islamic finance literature, the word « *norms* » (ضوابط) refers to the idea of « *rules governing* » the financial activities which claim to be *Shari'ah*-compliant⁸.

The concept of « *ethics* » is assimilated with principles, values, and moral sentiments like human brotherhood and well-being for all (Chapra, 2009, p. 7).

The concept of « *finance* » covers either the profit sector as the third sector or non-profit sector which includes, particularly, the funds of *Zakat* (alms giving) and *Waqf* assets (Al-Suwailem, 2011, p. viii).

The definitional formulations cause a questioning of whether or not, ethics and norms are mandatory. This requires the exploration of the legal aspect.

II.3. Legal aspect

In the contemporary French philosophical thinking, modernity boasts of having kept as a criterion for deciding between the licit and illicit acts, only the consent of individuals (Mazarno, 2008). It is up to each individual to decide what is good for him, i.e. to define his own ethics, without referring to a moral authority marked by obligations and prohibitions. In finance, ethics is therefore not obligatory; it is a matter of the consent of individuals, and so a voluntary act. The French funds of the last generation, emphasizing the notion of socially responsible finance, stand out from the American approach which often reduces to mutual funds excluding certain sectors with reference to moral or religious injunctions. Norms are generally voluntary and are differentiated from regulation which is mandatory.

In finance, the norms may be mandatory as they may be preferential. The standard-setters work to establish acceptable norms at the international level and to promote their use, under the pretext that they offer companies the possibility to provide standardized financial information, comparable and reliable to investors. The most commonly used accounting and prudential norms are those developed respectively by the International Financial Reporting Standards (IFRS) elaborated by the International Accounting Standards Board (IASB)⁹ and the Basel Committee on Banking Supervision located at the Bank for International Settlements in Basel¹⁰.

Concerning the harmonization of Islamic finance norms, two major institutions operate in complementary areas: the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) based in Manama and the Islamic Financial Services Board (IFSB) headquartered in Kuala Lumpur. The AAOIFI establishes standards for

⁸ It should be noted that in the literature on Islamic jurisprudence (*fiqh*), most classical scholars use the words rule and norm in the same meaning. In the recent centuries, the scholars distinguish the two words: the rule includes subsidiary questions in different fields, while the norm includes subsidiary questions relating to the same domain (Nadwi, 2011, pp. 67-71).

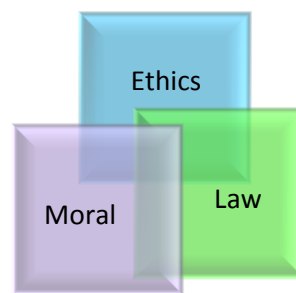
⁹ <http://www.bis.org/bcbs/about.htm>

¹⁰ <http://www.ifrs.org/The-organisation/Pages/IFRS-Foundation-and-the-IASB.aspx>

compliance with Islamic law, accounting, audit and governance¹¹. The action of the IFSB is focused on prudential norms¹².

In the research community on Islamic finance, ethics, generally addressed from a legal view point, is sometimes seen as optional and sometimes mandatory. It is, therefore, sometimes distinguished from moral and sometimes assimilated to it (Chapellière, 2009). This leads to clarify the epistemological presuppositions of ethics and moral concepts (Belabes, 2012a), and to develop thinking beyond the strictly legal framework (Ahmed, 2011; Nienhauss, 2011). Ethics, moral and law cover areas that intersect without overlapping completely as shown in the Venn diagram (Figure 1).

Figure 1. Interaction between ethics, moral and law



If the rules of law are mandatory, however, the respect of the law does not make a financial practice moral or ethical. This requires a critical reflection on the meaning of behaviors as well as the principles and values made by the members of a given community to guide and regulate their actions. The usefulness of a complex and hybrid regulation system, combining a plurality of actors, linking the local with the national, regional and global, the public economy with the private sector and the social economy, the voluntary with the mandatory, seems increasingly inevitable (Capron, 2003, p. 57). This is why voices rose up to prohibit certain financial instruments, such as "*short-selling*" speculative operations (Ciminello, 1996, p. 330) or the gambling on the bankruptcy of the states (Dupré *et al.*, 2012).

The financial norms, often associated with the injunctions of *Shari'ah*, do not necessarily require an obligatory statement because the Islamic law typology distinguishes five statements: the obligatory (*wajib*), the recommended (*mandub*), the permissible (*mubah*), the disliked (*makruh*) and the unlawful (*haram*). The first three statements refer to the maximization of benefits (*masalih*), while the last two statements refer to the minimization of disadvantages (*mafasid*). This shows how the *Shari'ah* aims to maximize the benefits and keep the inconveniences, as factor to conflicts and harms, to a minimum (Ibn Abd Al-Salam, 1992, p. 32).

¹¹ <http://www.aaofii.com>

¹² <http://www.ifsb.org>

In terms of governance, Islamic finance introduces a kind of partnership governance, striving to reconcile the governance standards with the injunctions of *Shari'ah*, by adding specific themes mainly related to the *Shari'ah* Supervisory.

The legal aspect seems to be problematic in the French economic field after it was liberated from the authority of law¹³. This illustrates the difficulty to conceive the legal as a component element of economic analysis and to associate sometimes the first to the normative or « *what must be done* », and the second to the positive or « *what is* ». Thus, for a French economist, it is not always easy to distinguish in a number of interventions which is the domain of normative (i.e., describing what should be the behavior of a good Muslim in finance) from what belongs to analysis of facts. What is the share of religious belief and that of analysis? Is it to describe what is allowed or to analyze the principles and practices? The authors emphasize the religious values or the academic classical values? (Pras, 2007).

II.4. The « Positive / normative » dichotomy

Since John Neville Keynes (1890 [1999], p. 22) economists make the distinction between two approaches: the positive approach and the normative approach which have been progressively associated, explicitly or implicitly, to other dichotomies (Table 2). For those defending this distinction, the positive approach describes, analyzes and explains the facts and economic behaviors, while the normative approach involves value judgments. This opposition seems today artificial when the social and environmental consequences of economic activities raises more than ever the question of purposes and values (Passet, 2003; Marshall, 2006). In reality, the interaction between facts and values is permanent; they are constantly intertwined and entangled (Putnam, 2004). Generally as mentioned by Bernard Guerrien (2004, p. 109), “*in addressing a problem, whatever it is, economist has always an idea of what should be, of what he believes to be the « right » solution - in fact, that is, almost always, his main motivation, even if it is not clearly expressed (or even if he isn't really conscious, so it's solution seems for him obvious)*”.

More specifically, the distinction between science and religion, in the field of financial economics, seems increasingly untenable. As it was recently described in The Basel Manifesto on the Economic Enlightenment, “*we went from a society with a market*

¹³ As recalled by Denis Clerc (2006, p. 2), “*the teaching of economics in France was very late. If the first teaching chair in political economy, entrusted to Jean-Baptiste Say, was created in 1820 at the Conservatory of Arts and Crafts, the University opened very weakly (at the Faculty of Law of Paris) to this new discipline in 1864. However, economics was then, in the words of Pascal Le Merrer, « confined to the rank of auxiliary discipline of law »; and it was not until 1957 that law faculties become « faculty of law and economics ». The bachelor degree in economics was established in 1959, and it is in 1968, in the wake of the autonomy law of universities, there appeared the units of teaching and research (UER) in economics distinct from the units of teaching and research in law. It has, therefore, taken a century for this discipline to acquire an adult stage and decide to emancipate itself from the legal family, which had sheltered it for many years. It is perhaps this late emancipation that explains the direction taken by the higher education in economics. As often, divorces leave deep scars, even when they are pronounced amicably*”.

economy to a society of finance dedicated to the worship of an idol: the self-regulating market. The market economy involves making trust to the productivity resulting from the contractual freedom, opportunities for action and responsible behavior, but does not signify precisely believing, in a fundamentalist way, that the « invisible hand » of the market governs all beautifully, with a divine wisdom, because it ensures the equilibriums" (Chesney et al., 2011, p. 2). Some scholars go further by assimilating the current practices of global finance to archaic religions. Thus, according to the philosopher Fabrice Midal (2006: 54), "financial markets wrongly designated as a place of perfect rationality actually obey in reality to the influences of beliefs, fanciful emotiveness, or even superstitious that recalling the credulity of archaic religions". This leads to reconsider the limits of « what is religious » and « what is not » and the need to renew the methods and theories of apprehension and understanding of dichotomies associated with them, like « authenticity / modernity » or « tradition / modernity ». What seems problematic, it is not so much the use of the normative dimension that the weight that it takes sometimes at the expense of analysis of facts which can, indeed, be explored from individual behaviors, or from the global context that takes into accounts, particularly, the norms and rules of societies.

Table 2. Dichotomies associated to the dichotomy "positive / normative"

Positive approach	Normative approach
What it is	What ought to be
Means	Purposes
Facts	Values
Descriptive	Prescriptive
Objective	Subjective
Rational	Irrational

III. Interactions between ethics, norms and finance

The exploration of the interactions between these three concepts aims to identify some ways of thinking for future discussions. The use of binary code, allows calculating the number of possible combinations of the three variables (E = Ethics, N = Norms, F = Finance) as follows: 3 variables $\Rightarrow 2^3 = 8$ combinations (Table 3). Among these eight possibilities, four combinations are within the scope of the Chair as follows:

- The interactions between norms and finance;
- The interactions between ethics and finance;
- The interactions between ethics and norms;
- The interactions between ethics and financial norms.

Table 3. The combinations between ethics, norms and finance

E	N	F
0	0	0
0	0	1
0	1	0
0	1	1
1	0	0
1	0	1
1	1	0
1	1	1

III.1. The interactions between ethics and norms

Investigating the interactions between ethics and norms is equivalent to assuming that: (i) norms are exogenous to ethics, (ii) ethics cannot be turned into norms, or (iii) the fact that there are no ethical norms. This assumes that ethics are independent of legal rules, religious injunctions and social customs commonly accepted. However, does ethical questioning make sense if it categorically differ from norms or if it is previously the reflection of a normative consensus?

The contemporary emergence of ethical questioning in finance finds its justification when the « more » of exchange in the financial markets, does not turn out to be synonymous with « better », to become a serious threat for socio-economic stability to the point where some financial experts come to advocate the prohibition of certain practices of global finance. *"When financial practices, they say, have no disruptive effects on the socio-economic balances, two cases arise: (i) society considers them legitimate or useful to the economy and, in this case, the State supervises them, ensures the reliability of transactions and levies a tax; (ii) the society considers them as illegitimate or as the simple bets between speculators without beneficial effect to the real economy, and decides that its courts will not have to be encumbered with possible conflicts between bettors"* (Chesney *et al.*, 2012, p. 2). Ethical questioning can lead, in case of imperious necessity, to obligatory norms. In the close relationship between ethics and norms two key issues should be distinguish. On the one hand, ethics need norms to exist in a society because without a stable normative framework that fosters trust of society, the realization of the ethical questioning will be difficult to sustain in the long term. On the other hand, ethics go beyond the normative framework, because it is, in essence, a reflection of individual questioning both on the theoretical models and practical applications as their normative framework.

III.2. The interactions between ethics and finance

The interaction between ethics and finance can lead to three variants at the input and / or output levels:

- Integrate at the output level some human, social and environmental norms in the functioning of global finance, without affecting the input by prohibiting, for example, usury or stock market speculation that resembles a casino.
- Integrate at the input level some moral norms such as the prohibition of usury, without affecting the output, i.e. without giving any consideration to criteria which can be human, social, or environmental in nature. For example, two Muslim agents could be using a commercial transaction, via a *Murabaha* contract, without bothering if a number of standards, relating to the respect of human rights, social rights and the environment, have been observed at all levels of the chain of production and distribution
- Develop a method of financial intermediation that differs from global finance both at the input and output levels. This leads to looking beyond the purely deontological ethical approach indifferent to consequences, and the consequentialist approach with which the consequences of a given action that should form the basis of ethical judgment against it. That is to submit the deontological principles to the consequences of agent behaviors (Sen, 1992, p. 283).

III.3. The interactions between norms and finance

The interaction between norms and finance concerns the accounting normalization system, the prudential framework and governance. It takes the form of a pre-eminence of private norms on public norms, imposing its conception of the subject- and conditions of the financial activity, without making explicit the founding principles of the produced norms and the theoretical process of their elaboration, which are not limited to research a solution to a technical problem, but tend to impose a particular rationality. Beyond the conception that the accounting, prudential and governance norms are soft power instruments of the global finance, some researchers attempt to examine the cognitive processes that lead to the development of financial norms, through an epistemological questioning involving several disciplines: Why some models seduced the financiers expense of others? How they structure their unconscious? What vision promotes their adoption? For example, the accounting norms, far from being neutral, help shape economic practices and social relationships. The management practices of businesses are fundamentally changed, in which they are forced to a competitive management leading to short-term strategies in the pursuit of maximum profit (Capron, 2005). Other researchers have explored the role of financial mathematics in the doctrine of international regulations, such as Basel 3 for banks or Solvency 2 for insurance companies. However,

these mathematical models, based on Brownian motion¹⁴, allocate to markets more regularity than they do, this situation leads to an underestimation of the real risk (Walter, 2010b).

III.4. The interactions between ethics and financial norms

The institutions claiming to be religious, ethical or socially responsible finance are not taken into consideration by the accounting and prudential standards, established respectively by IFRS and Basel Committee, and should not expect to be treated differently or more favorably than conventional institutions. This situation justifies somehow the choice of the title of Chair which distinguishes ethics from financial norms. The rise of this emerging variety of finance can be interpreted in the context of the reorganization of regulation centers, driven by social actors who are trying to reinvent collective action, in such a way as to shape a regulation of a third type beyond state regulation and that of market (Gendron and Bourque, 2003, p. 61). This trend has increased with the financial crisis as summarized by David Weitzner and James Darroch (2009, p. 6): "*The lesson of the crisis is that regulation will never be sufficient enough without reforming ethics*". This shows the limits of the regulation of financial activity both by the « *the whole state* » and « *the whole market* ». In view of the contemporary epistemological analysis of science, it is clear that the exploration of the interactions between ethics and financial norms cannot be limited to traditional ethics approach which covers a deontological dimension and a teleological dimension. This leads to extend the debate on the ethics of Islamic finance beyond the dichotomies « injunctions (*ahkam*) / objectives (*maqasid*) », « form (*chakl*) / substance (*madmun*) », to include technical and mentally tools that form the backdrop of daily financial practice. The goal is to understand why and how these instruments build finance and which social repercussions they involve, particularly in terms of representation of uncertainty reduced, according to the Anglo-Saxon conception, to a calculation of probabilities. However, all aspects of human life cannot bend to the probabilistic computation (Pradier, 2005). The epistemological exploration leads finally to refute the conception that the notion of risk, based on a rational approach of the dangers by probabilistic computation, was inconceivable before the eighteenth century. In view of those developments, the history should be revisited for opening the world of risk to all cultures.

IV. Conclusion

At the end of this paper, it appears that the English and Arabic translations of the theme of the chair are not of themselves problematic. However, in the field of Islamic finance, the words ethics and moral are often thought as synonymous, which pose some

¹⁴ As noted by Christian Walter (2010b, p. 10), "*the Brownian virus is that disease of thought that attacks our conceptions of uncertainty, leading us to believe that the risks are manageable, controllable, calculable and as result voidable*".

difficulties in interpretation and presentation. The definitional analysis reveals both the polysemy of the words ethics and norms and their interaction with the legal field. But what seems to be a problematic, it is not so much the use of the legal aspect than the weight that sometimes it takes at the expense of factual analysis. In this case, researchers are required to better define their epistemological posture and use wisely the different approaches. If the awareness that the way to send and receive a message enhances a better understanding of each other, the overcoming of dichotomies, such as « *tradition / modernity* », and imagined fractures, such as « *East / West* » (Corms, 2002), perpetuated by the lack of contact and the compartmentalization of knowledge, represents another additional challenge. The opening of new research ways can only come from an independent reflection and critical thinking. The overview for understanding the scope of the Chair topic, the identification of its challenges and the opening of new avenues for the research requires the contribution of all researchers. If the Chair is taking place in the context of financial crisis that has spread to the euro zone debt, its real challenge is to improve knowledge about the interactions between ethics and financial norms through a multidisciplinary approach beyond the fields of financial and legal analysis. In terms of research avenues, here some suggestions:

• **Translate key concepts accurately**

Most active researchers in the Chair work in one or more languages (Arabic, English, French, Urdu, Spanish). If that multilingualism has led to the choice of English, the language of business, as working language, the translation of the key concepts must be based on the original language to limit as much as possible the loss of meaning¹⁵. For example, in the direction of the translation « *French – Arabic* », it is necessary to translate the word ethics to « *akhlaqiyat* » (أخلاقيات) not to « *akhlaq* » (أخلاق) or moral. In addition, the word « *usury* », used in contemporary literature, should be translated to « *excessive interest* » (الفائدة الفاحشة) not by « *riba* » (ربا). Lastly, the word « *rationality* » should be translated to « *معقولة* » instead of « *رشد* », synonym of maturity, majority, and adulthood.

In the direction of the translation « *Arabic – French* », it is necessary to translate the term « *gharar* » (غرر) by « *alea* » (Al-Masri, 2012, p. 29). The existence of the alea does not necessarily imply a risk, because this requires that there are elements of conflict. No conflictuality, no risk (Belabes, 2010, p. 106). The addition of the adjective ‘excessive’ or ‘inevitable’ is necessary, because in term of business contracts, Islamic law does not prohibit alea, but excessive or inevitable alea. It is the same for the word « *maysir* » that should be translated to « *gambling* », not to « *risk* ». The translation of the word « *maysir* » by risk implies inevitably that Islam prohibits the taking of risk in the economic

¹⁵ In this regard, it should be noted the approach of Paris Europlace which held, in its translation of the AAOIFI standards, to return to the original texts written in Arabic.

activities. Contrary to a common misconception (Al-Sadr, 1983, vol. 2, p. 256; Rodinson, 1966, p. 161), Islamic law does not prohibit the risk for itself but for its connection with the gambling. In this regard, many classical jurists and historians have praised the risk-taking behavior in trading activities (Ibn Taymiyyah, 1997, p. 700-701, Ibn Al-Qayyim, 1994, vol. 3, p. 263; Ibn Khaldun, 1978, p. 396; Ibn al-Azraq, 1977, vol. 2, p. 319, Ibn al-Jawzi, 1978, p. 43).

• Clarification of key concepts

Deepening analysis of key concepts through comparative approaches is necessary. For example, in contemporary French literature, the words moral and ethics are often opposed¹⁶. In Islamic jurisprudence, it is not necessarily the case since the nobility of character; the good morality may be innate as it can be acquired through the individual experience.

In addition, some researchers believe that Islamic finance is based on a model of zero interest banking intermediation (Jouaber-Snoussi, 2012). Such formulation can be misleading and lead to erroneous deductions (Belouafi *et al.*, 2010), because the fixing of interest at zero does not imply the purely and simply deletion of the rate:

" $r = 0 \Rightarrow r$ take the value 0" \neq "r no longer exists"

As is noted by Maurice Allais (1947, p. 558), "*a clear distinction must be made between the suppression of interest and the cancellation of its rate*". One of the consequences of this fundamental distinction is that the interest-free loan (*qardh hassan*) is not intended to finance productive projects (Belabes, 2010a, pp. 30-31). It is more akin to the gift economy which takes a form of philanthropy.

• Addressing financial practices by critical approaches

Some funds « *associated* » or « *claiming* » to a moral, ethical or religious referent does not necessarily constitute real alternatives to the global finance. The quoting of expressions 'associated' or 'claiming' is not fortuitous, because the terms « *ethics* », « *moral* » or « *religious* » refers to both, a framework, dimension, intent, legitimacy a marketing argument. In this sense, the said funds can play the game of system vis-à-vis which are supposed to differentiate themselves, by providing it a new legitimacy. Cohabitation or marriage between ethics and capitalism? The question needs to be seriously explored (Vermersch, 2007, p. 25). It seems to be determined for some

¹⁶ The most common oppositions between moral and ethics are the following:

- Moral is imposed from the outside while ethics corresponds to a voluntary personal approach.
- Moral refers to the right and wrong while ethics refers to what is good.
- Moral has a religious connotation while ethics has a secular connotation.
- Moral refers mainly to religious texts while ethics is based only on reason.
- Moral is often seen as a set of ideal rules of conduct while ethics corresponds to practice; for a critical study, see Belabes (2012a).

researchers as Etienne Perrot (2003, p. 47) who says in an article dedicated to ethical investments: "*The capitalist system shown here, as before, its adaptability; it assimilates social critics by converting them to its logic, through a superficial accommodation that accompanies its transformation*". Islam is not immune to such instrumentalization (Haenni, 2005), in particular in France¹⁷.

• Exploring historical experiences input oriented

The case of France might be instructive. In the Islamic Economics Research field, Maurice Allais became famous for his critics of the current system of credit based on "*the exchange of promises to pay to a given period against promises to pay to a further period upon payment of interest*" (Allais, 1989, p. 178). Its purpose is sometimes taken out of context by suggesting that he supported the prohibition of interest¹⁸. However, if he consider the existence of the interest as "*an inevitable phenomenon*" (Allais, 1989, p. 62), the mechanism of credit is for him "*a source of spoliation, injustice and demoralization. Generator of imbalances, it gives birth to a unhealthy wheeling and dealing, a frantic speculation, and leads societies that use or tolerate it from crisis to crisis*" (Allais, 1989, p. 183). He does call into question the interest, but the fact of borrowing on short-term to lend on long term. Through such a mechanism, new payment methods are constantly being created, leading to the creation of purchasing power without any effective counterpart other than promises to pay in the future and, ultimately, to enrich some at the expense of others (Allais, 1989, p. 248). Hence, his proposal for reform of banks and financial intermediation institutions to avoid the major disadvantages of the current credit system, by suggesting in particular borrowing on long-term for lend on short-term upon payment of interest (Allais, 1989 p. 202).

Other French economists and social reformers who have more decisive positions vis-à-vis the interest remain to this day almost unknown, even though they deserve the attention for more than one reason. For example, the economist and sociologist Joseph Proudhon (1809-1865) founded in 1849 the People's Bank based on free interest mechanism¹⁹. The economist Constantin Pecqueur (1801-1887) considers that the interest

¹⁷ A PhD. thesis on this subject is recorded, since 16 December 2008, at the University of Aix-Marseille 3, under the direction of Raphael Laugier. The author is Khadija Boudine, the title is "*The Islam of market and the merchandization of Islam in France. The emergence of a new player on the capitalist scene: The Muslim consumer (between ethics and new socio-economic and political challenges)*", information collected from the website of the PhD. Thesis prepared in the French higher education institutions: <http://www.theses.fr>, in January 20, 2012.

¹⁸ See the Foreword of the conference of Maurice Allais (1993, p. 10) presented at the Islamic Development Bank in 1993.

¹⁹ See the PhD. thesis of Pierre Hauptmann, *Pierre-Joseph Proudhon, sa vie et sa pensée 1809-1849* (Pierre-Joseph Proudhon, his life and his thought 1809-1849) presented to Sorbonne University in 4 March 1961, and published under the same title in Beauchesne Editions at Paris, chapter XXX, Banque du peuple (People's Bank), 1982, pp. 987-1014.

is not a work that adds its human and religious dimension to an object²⁰. For Lucien Herr (1864-1926), "*there will come a time when the interest will be considered as a doctrinal error as gigantic as slavery*"²¹.

In the former French colonies, some initiatives remain, so far, unexplored despite their interest for historical research. In North Africa, specifically in the Maghreb region, the social reformer Ibrahim Abu Al-Yaqdhan (1928, p. 2) launches, at the end of the twenties, a call for the creation of a bank based on the rules of Islamic jurisprudence in one of the major cities of Algeria. A few months later, his appeal was echoed through the launch of an "*Algerian Islamic bank*" project by a group of Algiers-based businessmen, led by Omar Boudierba. But the French colonial authorities at the time did not give him a positive response under the pretext that "*its time had not come yet*" (Al-Madani, 1977, p. 115). Consequently, in the history of France, the idea of creating a bank that is not based on the interest and efforts for its realization does not date from the current financial crisis. This aspect of the history of France as a whole, incorporating the metropolis and the former colonies before their independence, has not yet attracted the interest of researchers. It would be suitable to explore in particular factors, both endogenous and exogenous, which brought scholars from different social and economic doctrines, to a condemnation of interest, as well as obstacles to the opening of banks without interest in France since the Proudhonian project of People's Bank. Such insights could help to alleviate the debate on Islamic finance in France, by taking out of oblivion that the condemnation of interest and projects of creation of free interest bank are not specific to Muslim customers. They allow, furthermore, the correction of the misconception that the idea of Islamic banking is imported from the Gulf region. It is, therefore, foreign to the Maghreb region (Jouahri, 2008, p. 2).

• **For more knowledge interactions**

The literature on Islamic finance generally states five principles: the prohibition of *Riba*, alea, gambling, and certain sectors (drugs, sexual tourism, etc.); the asset-backing and the profits and losses sharing. Other principles, no less important, still almost unexplored, as the one stated by the Prophet Muhammad when he spoke to one of his companions Hakim Ibn Hizam: "*Do not sell what you do not possess*"²². More than fourteen centuries later, Maurice Allais (1989, p. 209) states that "*the principle of credit and currency generation is mainly based on the possibility to lend money that one does not possess*". Thus, the French Nobel Laureate in Economics condemns the current system of credit, which consists of making trade with money that one does not possess. This association of knowledge has the merit of showing that the *revealed* and the *rational*

²⁰ See Zouaoui (1964, pp. 87-91).

²¹ Cited by Hauptmann (1982, p. 998).

²² *Hadith* (in this case, saying of the Prophet Muhammad) mentioned by Al-Tirmidhi (No.1232), Al-Nassai (No.4613), Abu Daoud (No.3503), Ibn Maja (No.2187), Ahmed (No.14887) and authenticated by Al-Albani in his book "*Irwa al-ghalil*" (No.1292).

are not necessarily mutually exclusive, if we take a step back from the Cartesian approach, which in erecting barriers between disciplines has virtually sacred the separation of knowledge. The problem is not so much the religious and the rational as misrepresentations of both. The most important thing is to get a deeper understanding about the other rather than to exploit knowledge for ideological ends. At the Harvard Islamic Finance Project Workshop, hosted in the London School of Economics on 26 February 2009, Frank Vogel said that he had grasped the scope of Islamic finance principles like the prohibition of *Riba*. However, he had some difficulty to understand the scope of the Prophetic word "*do not sell what you do not own*". The last financial crisis helped to a certain degree in overcoming this difficulty in the sense that the short selling is charged for some to feed speculation, for others to make stock prices down²³. It seems that the remark of Frank Vogel pushed Willem Buiters (2009), who attended the workshop, to devote an article on the subject "*Should you be able to sell what you do not own?*" in *The Financial Times*.

• **Extend the Field of Ethics beyond Behaviors**

The extension of the field of ethics in finance seems today as an obvious, insofar as it contributes to build a world economy that is both more stable and more balanced. In his study of world history, Arnold Toynbee (1978, p. 589) notes that the Muslim world, by adopting European technique, was inevitably confronted with the matter of neutrality of means or, in other words, the impossibility of separating the instrument of the system of thought that generated it, so that one thing leads to another. This question is asked with insistence during a debate on Islamic financial intermediation that led to the following question: Is the bank a neutral institution? Some consider that the bank after all, is only a mean, All depends on the use that one makes of it; that is possible to achieve a critical and selective integration of techniques in conventional financial by subordinating them, as means, to the purposes of Islam. For others, the bank is a child of interest credit²⁴. The first posture can lead to passive adaptation to global finance, while the second invites to develop new forms of financing.

Nobody could imagine that the issue of neutrality of means and techniques may one day arise in the old continent, particularly outside the field of philosophy. The historical analysis of the facts and the epistemological reflection coincide on this point and shows that the understanding of finance cannot be limited to the theoretical dimension. Into financial market research, the former president of the French *Association of Financial Economics* had pointed out that by their scope and their effect, modern applied to the financial world are not ethically neutral (Ploix, 1993, p. 301). We must examine the heart of technical models to decrypt their representational matrix: how do they perceive

²³ Reported by Ahmed Belouafi (2012, pp. 126-127) who presented a paper in this workshop.

²⁴ See the volumes 10 (1998) and 13 (2001) of the *Journal of King Abdulaziz University: Islamic Economics* that can be accessed via the Internet.

humans, economic equilibriums, production system, and relationship to uncertainty? (Walter, 2012b). After an epistemological exploration based on the works of several disciplines, it turned out that financial mathematics are not ethically neutral. Neutrality is not to take sides in the choice of values and determination of purposes. However, the modern technique has a proper finality, competitiveness, which is imposed on its user as the value of its action. According to Riccardo Petrella (1987, p. 98), "*competitiveness is only a means, the purpose is the wealth of an economy, it is often observed that when a society has no purpose, it raises the means to the rank of purpose*". This reflects a feeling of doubt and loss of meaning that invites vigilance rather than condemnation of technique. It follows, as rightly pointed out Simone Manon (2008), that "*as any means, the technique is only as good as the purpose it serves, and it is urgent to understand that the determination of purposes is outside the competence of the technique. Purposes and values concern are within the competence of politics and moral, and the rational order wants that the moral and politics are subordinated to the techniques*". However, the thesis of ethical neutrality of mathematical models in finance is a positivist epistemological posture, dating from the late nineteenth century, which appears to be completely obsolete today. It ignores the progress of research in the sociology of science, which emphasize the importance of socio-technical devices in the representations of the world and the interaction between humans and technical instruments. In fact, mathematical models are not limited to the description of the professional finance, they realize it, causes it, create it; this ability is called "*performativity*" by the sociology of science (Walter, 2012b).

• **Ethical Questioning Beyond the Output**

Ethics in finance make sense in societies where the activity described as « financial » is sufficiently detached from other aspects of life. The financial crisis has highlighted the reflection on the need to subject finance to ethics prevailing in the society, i.e. to end the ethical extraterritoriality of finance. This led to the idea that it is impossible to count on the voluntary nature of ethics and it will need to go through the right to prohibit financial practices that disrupt the socio-economic equilibriums (Jorion, 2012). But regulatory measures remain insufficient, if they are not accompanied by a significative change in attitudes through an ethical education. The ethical issues should not only focus on the output to limit the excesses of the system, but also cover the input of process to develop distanced financial practices, as participatory financing, which are not, moreover, based on a theory of communicating vessels that alternative financing would progressively replace conventional financing. In this perspective, Kenneth Rogoff (2011, p. 2) invites to look at the positive ideas of Islamic financial practices that may perhaps inspire policymakers. In conventional finance, not everything is black or white; there are some nuances, as there are distanced reflections such as "*sterilization of the interest rate*", based on the understanding that "*financial transactions whose sole purpose is to generate*

wealth by trading in the monetary or financial market should no longer exist" (Ciminello, 1996, p. 329). The process to adopt could take the following guidance: "Every investment must, first, turn to physical or productive activity. Then If financial investments, profit from the interest rate or the famous capital gain must be sterilized, i.e. it should be reinvested in operations with real content or reused in public projects to improve the living conditions of a society" (Ciminello, 1996, p. 329).

Moreover, according to the universal principle of moderation, the ethical question should cover both the ravages of finance and its success. Finance is at least as devastating by its successes as well as by its failures. Success: according to what criteria and at what cost? The challenge for the religious, ethical and socially responsible finance is not to be more competitive than conventional finance by offering competing products, but by addressing the issue of human purpose without which finance would be meaningless. In other words, it is the man who gives value to finance and not the reverse. This requirement must be addressed as a resource and an opportunity rather than as a constraint. In the light of these developments, the teaching of ethics in financial educational programs must interact with all courses and should not be isolated in a module taught by an 'ethicist'. Ethics crosses all subject area offered in the learning curricula, including research methodology, by making the learners aware, not only to the dangers of plagiarism, which goes against the goal of the research of producing new ideas, but also to use quantitative methods and computational tools wisely.

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