

Towards the Transformation of Islamic Economics into a Dynamic System

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While Islamic economics has come a long way in the past few decades, it has still to break away from the clutches of the western economic thought. By relying too heavily on such notions as “profit”, “economic growth”, “full employment”, “macro-economics”, and “public” and “private sectors”, adopting such institutions as “banks and stock exchanges”, and over-relying on monetarist policies, the nascent discipline has essentially mortgaged its future. This paper argues that “Islamic Economics” must break out of the narrow confines of “economics” which is based on the vision of eighteenth century England, to become an interdisciplinary mode of inquiry with its own conceptual and methodological tools.

Over the last three decades, economics has received more attention from Muslim scholars and intellectuals than any other discipline. Numerous attempts to “Islamize” economics has led to numerous international conferences and seminars and generated a vast body of literature on what is now known as “Islamic economics”. Indeed, by the criteria of information science, Islamic economics has matured as a discipline and ‘arrived’: It has several publications and academic journals of its own (Journal of Research in Islamic Economics at the King Abdul Aziz University, Jeddah and the Institute of policy studies, Islamabad), and is now being taught in economics departments of numerous universities both in the Muslim and the western worlds. In Muhammad Nejatullah Siddiqui, who won the Faisal Award for his contribution to the field, Islamic economics even has its equivalent of a Nobel Laureate!

At first sight, the intellectual and practical activity in the field of Islamic economics seems overwhelming. Siddiqui’s highly praised survey of contemporary literature on the subject (Muslim Economic Thinking, Islamic Foundation, Leicester, 1981) lists some 700 works in English, Arabic and Urdu. Another work by Muhammad Akram Khan (Islamic Economics: Annotated sources in English and Urdu, Islamic foundation, Leicester, 1983), contains over 1500 citations. Islamic banks are mushrooming and almost every Muslim country and non-Muslim countries, from Sudan to Saudi Arabia, Pakistan, Bangladesh and Malaysia, Nigeria to Bahrain, Britain to the USA has one or more Islamic banks. There is thus good reason to believe that Islamic economics has not only arrived, it is here to stay.

But what is Islamic Economics? How does it differ from the conventional capitalist and socialist models? What are its axioms and principles? How will economics replace the dominant economic orders in Muslim societies? Given the intellectual effort that has gone into the evolution of Islamic economics, one would expect ready answers to such questions. And, indeed, answers of a sort are given by the leading scholars in the field.

One of the first points emphasized by author after author is that Islamic economics is not capitalism minus interest plus zakat or socialism minus state control plus Allah. It is something unique and different and exclusive to Islam. How unique and how different is essentially the key issue.

The uniqueness of Islamic economics is brought about in attempts to define it. S M Hasanul az-Zaman offers the following definitions: ***“Islamic economics is the knowledge and application of***

injunctions and rules of the Shari'ah that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and society." (Journal of Research in Islamic Economics 1 (2) 51-53, winter 1984). M Akram Khan considers that **"Islamic economics aims at the study of human falah achieved by organizing the resources of earth on the basis of cooperation and participation."** (Journal of Research in Islamic Economics 1 (2) 55-61, winter 1984).

As tawheed, akhirah, equality, sharing and cooperation play such a strong role in Islam, it is not surprising that they are considered fundamental to Islamic economics. Indeed, the emphasis on ethic of tawheed and akhirah is so strong that the whole economic enterprise in Islam assumes the character of ibadah (worship). But how is this economic ibadah performed?

The proponents of Islamic economics rightly argue that the basic set of Islamic economic injunctions have to be operationalized in society. The economic outlook of the Qur'an and the Sunnah are expressed in the Islamic injunctions which make zakat (normally translated as the 'poor tax') a religious obligations, forbid all forms of riba (usury), permit the ownership of private property but also give the society right to redistribute private property and prohibit the ownership of land beyond an individual's and his family's capacity to handle. These injunctions are undoubtedly unique to the world-view of Islam and when implemented would create a society which has all the hallmarks of justice and equity, sharing and cooperation, as well as economic dynamism and growth.

So far so good. No Muslim would disagree either with the expression of Islam's economic outlook or with the ideal of implementing the key injunctions of the Qur'an and the sunnah in society. However, when it comes to the question of "how is it to be done" and "what exactly needs to be done", problems emerge and differences arise. How can Zakat be made the cornerstone of public finance in an Islamic society? How can brotherhood be promised; and what needs to be done to ensure equity? How can wealth be redistributed? What needs to be done to ensure that wealth does not accumulate in fewer and fewer hands? How can Islamic injunction on the use of land be introduced without the use of force? What needs to be done to break the feudal structure in Muslim society?

It is in the attempt to answer the questions of "how" and "what" that the proponents of Islamic economics have let their field and Muslim society down. Indeed, many "how" questions are conspicuous by their absence in the literature and many strategies of what needs to be done are indistinguishable from capitalist or socialist approach to economic thought and activity.

In the 50s and early 60s when Muslim economists were rediscovering the principles of Islamic economics, their output was in many respects genuinely original. However, the modern research on Islamic economics, as Abdul-Hamid Ahmad Abu-sulayman has pointed out, is concerned only with "partial issues, patchwork and compromises with the philosophies and methods of contemporary economics. The major subject they have tried to discuss is bank interest and have come sometimes very close to thinking that if they could avoid dealing with bank interest and introduce another modern means to provide the same motivation in a different way they could solve the problem, and modern capitalist societies could be labelled as "Islamic." (The theory of

the economics of Islam: the economics of tawheed and brotherhood, in contemporary Aspects of Economic and Social Thinking in Islam, MSA, Plainsfield, Indiana, 1970).

Indeed, despite their repeated references to tawheed, akhira and other fundamental Islamic concepts, Islamic economics is little more than one huge attempt to cast Islamic institutions and dictates, like zakat and prohibition of interest into western economic mold. The dominant models guide the analysis and shape the inquiry: everything is compared and contrasted with capitalism and socialism, highlighting the fact that there is an underlying apologia at work. This attempt starts right from the statements that define the main objectives of Islamic economics.

Thus Muhammad Umar Chapra's "objectives of Islamic economic order (in Islam: its meaning and message, edited by Khurshid Ahmad, Islamic Council of Europe, London 1975; and numerous other places) are not much different from those of a western welfare state: "(a) economic well-being within the framework of moral norms of Islam; (b) universal brotherhood and justice; (c) equitable distribution of income and (d) freedom of the individual within the context of social welfare."

Adam Smith also argued for "economic well-being for all" based on the moral framework which he borrowed from his friend and fellow countryman, David Hume. While Chapra obviously does not believe in the "invisible hand" of Adam Smith, the ideas of free economic activity and social welfare are derived not from any Islamic injunctions, but from Scottish economist and philosopher. Moreover, Chapra's values and norms, "the unshakeable foundation of spiritual values" is also reflected by Adam Smith: in the theory of moral sentiment (1759) which contrast with the wealth of Nations (1776) he emphasizes that sympathy and human brotherhood rather than self-interest are the basic force in human nature. So how does the objectives of Islamic economics differ from the goals of a caring, democratic welfare state? Not much as Chapra demonstrate: he proceeds to paint the picture of a welfare state with an Islamic gloss all of which begs the question - why bother with Islamic economics when Adam Smith will do?

Once the objectives of Islamic economics have been stated in terms of western paradigm, it is a short step to accept the major institutions of the system and try to mold them into Islamic shapes. The most obvious example of this is banking: the institution as it has evolved in the west since the industrial revolution has been accepted, without criticism and question, in its totality. Nowhere in the vast literature on Islamic economics would one find any discussion of the question whether banks are really needed in an Islamic society or could some other form of institution perform the necessary functions? The necessity of banks is taken for granted and attempts to mold them into Islamic shape are made by purging them of interest and basing their actions on the principle of *mudaraba* or profit sharing. Of course, an institution that has evolved to suit the needs of a particular society and economic system, is not going to yield easily to outside attempts to change it. As a result, the complex knot that Muslim economists have tied themselves into is truly amazing.

While the alternative suggested for interest, profit-sharing, reflects the true ideals of Islam, it cannot fit in an institution which has grown up solely on the basis of interest. Consider how Siddiqi, the arch-exponent of Islamic banking, describes the function of banking system based on *mudaraba*: "A large number of depositors enter into individual *mudaraba* contract with a banking company, organized on the basis of share capital, the contracts stipulating the sharing of

the profits of the 'business of banking'. The bank undertakes two kinds of business. Firstly, it offers banking services earning fees and commissions. Secondly, it assumes the role of financier-entrepreneur making judicious selection of businessmen who seek capital from it, stipulating that they share with it the profits of their productive enterprise. Liability to loss in a mudaraba contracts attaches to the financier only, the working party bears no part of the loss accruing to capital extended by the financier....it follows that the loss incurred by an individual entrepreneur working with capital advance by the bank will be borne by the bank. The bank has, however, advanced capital to a large number of entrepreneurs, diversifying its investments as far as possible. Losses incurred on individual advances are likely to get absorbed by some of the profits accruing to the bank from the successful entrepreneurs. As long as the totality of profits accruing on banks advances plus the fees and commission earned by the banker remain a positive quantity.....the depositors' interest are safe. But what if the new revenue of the bank is a negative quantity? This will mean a loss, to be distributed equally on share capital and mudaraba deposits." (Issues in Islamic Banking, the Islamic Foundation Leicester, 1983).

So the ordinary act of depositing money becomes risk-taking exercise. How can one plan for the future if one is not sure of what will happen to one's money at the end of the financial year? And the banks have no guarantee that they will get a return on their investments. Consider what will happen to a rural agricultural bank in a year of bad harvest when it has invested all its capital in the labour of the local farmers! If the financier is risking his capital, he is likely to demand a hefty share of the profit; so the poor entrepreneur ends up working for the bank instead of himself. And if the bank does not ask for a lion's share of the profit, how can it ensure that it covers for all those entrepreneurs who have lost its money? Perhaps both the bank and the entrepreneur are getting a bad deal?

The point of this criticism is not that the principles of mudaraba do not work; but that the un-Islamic institution of banking is the wrong place to put Islamic injunction into practice. Moreover, western economic institutions do not come on their own: they bring the entire system with them. Banking as Alvin Toffler points out so powerfully in the Third Wave (Bantam, New York, 1980) is the central institution of modern money system. Accept the banks and you accept the entire exploitative structure and theoretical framework that comes with it. The two are integrated and cannot be delinked.

And this is precisely what has happened. Along with the banks, Muslim economists have accepted the entire Keynesian and monetarist economics that comes with it. Nejatullah Siddiqui is a Keynesian par excellence: his undertaking of economy and functioning of banks is based on the tools kit of Keynesian thought-productivity, capital, market operations, liquidity etc. are concepts and notions by which he analyses "banking without interest" and the workings of an Islamic economy. Apart from its concentration on banking over 80% of the literature on Islamic economics is on monetarism in the classical European sense. An indication of how dependent contemporary Muslim economic thought is on monetarism is given by the fact that when Milton Friedman, the monetarist Nobel Laureate, suggested that indexation may be an answer to inflation, a host of papers appeared arguing that as a price instability is a major goal of monetary policy in Islamic economics, indexation may be a good answer!

The overemphasis on monetary and fiscal economics is justified by Munawar Iqbal and M Fahim Khan by pointing out that “the abolition of *riba* and the imposition of *zakat* are the cornerstones of Islamic economic system.” But natural emphasis of a system that outlaws interest would be to play down the role of money, not to raise it as the arch-factor of economy. Muslim economists, like economists of all thought and persuasion elsewhere, whether Keynesian, neo-Keynesian, Marxist or monetarist, are hypnotized by money and look only at those sectors of production and consumption that are monetized and involve cash transactions. Emphasis on the monetized economy has meant that Islamic economics has equated the monetized sectors of a country with the whole system of production, consumption and maintenance. This one dimensional linear view has produced a rather fragmented and truncated discipline that has neither provided answers to some of the most pressing economic problems of our time nor is aware of the more important non-monetary factors that shape an economy.

Inflation and unemployment are two of the most hideous plagues of our time. Yet on both these fronts, Islamic economics is silent. Despite the fact that every author starts off by stating that “full employment” is a major goal of Islamic economics, no one discusses how this ideal can be achieved. Or indeed, given the increasing population base in Muslim societies and changing mode of production, whether it is possible? Or even desirable. Given their concern with justice and equity, not many authors talk about poverty or how it can be eliminated, except perhaps indirectly by distributing *zakat*. With the exception of the sole essay by Khurshid Ahmad, which has been reprinted in numerous places, there is no awareness in the Islamic economic circles of the role of development or the concern for the economic plight of the peasant. There is not a single citation in Siddiqui’s survey or Akram Khan’s bibliography on technology (surely, the most important economic force in modern society) neither can one find any discussion of the type or nature of industry that must form the basis of an Islamic economic system. Nor of the role of energy in an Islamic economic system. The relationship between production and consumption is nowhere discussed. And the role of mode of production in shaping a society, the psychological impact of the divorce - in time, space and social distance - between a producer and a consumer and the illusionary nature of paper money - are all topics to which Muslim economists are completely oblivious. Their enterprise, like modern economics itself, bears no real relationship to reality.

All of this means that the linear, one-dimensional thinking of western economic thought, which is based on the vision of eighteenth century England, have kept the Muslim economists on the straight and narrow path. Indeed, Muslim economists are deeply sunk in the quicksand of western economic paradigm. From the statements of objectives onwards, they have adopted the western economic paradigm in its totality. The major, and not so major, themes of western economics occur again and again in the literature on Islamic economics: “productivity”, “macro consumption economics” “full employment”, “economic growth”, “welfare program”, “cost-benefit analysis” and “monetarism”. Because the main frame of reference is the western economic paradigm, its tools, methodologies, issues and institutions are accepted and questions are always asked in relation to them. Thus we have in numerous research papers such questions as “what is the role of theory of profit in Islam?”, “what function does macro consumption perform in Islamic economics?” and (would you believe?) “What is the Islamic perspective on the economics of discounting in project evaluation?” In this way Islamic meaning and justification are sought from accepted western modes of economic thought and analysis. By adopting the institutions, ideas and

tools of western economic system, Muslim economists are implicitly leading Islamic countries the same crisis that confronts industrialized societies. Hazel Henderson sums up the state of the affairs succinctly:

“The crises of governance in all industrial economies today are inseparable from the fact that too much of their national policy making and the modelling of their problems are reduced to the abstraction of ‘managing their economies’, using the monetized data and tools provided by economists and econometricians and the concept of macroeconomic management. This obscures all the other dimensions of the reality of dynamic societies, structured in now unsustainable modes of interaction with their resources and energy and based on technologies and institutions that now must be redesigned to fit totally new situations. (Politics of Solar Age, Anchor, New York, 1981. p 31).

Indeed, there is no awareness in Muslim economic circles that methodology and tools of analysis are out of date and ideologically value laden and direct the results of inquiry into a particular direction. For example, M Akram Khan, who never tires of talking about *akhirah*, readily concedes that “Islamic economics may utilize the tools of analysis developed by modern economics” oblivious to the fact that the methodologies, of western economics were developed, and evolved, to solve problems that are particular to that system. Moreover, he further argues that “Islamic economics may adopt the findings of Western economics so far as they have a universal application” once again begging the question: if western economics is value-free and universal, why should one bother with Islamic economics?

The intellectual situation of Muslim economists is so absurd, so poverty stricken that even those issues which have been ditched in western economic circles are being hotly debated in Islamic economic circles. Thus M A Mannan, a leading member of the circle, is driven to argue that Islamic economics is more than a social science, more than a system, it is indeed a “science” thus trying to relive the ridiculous sixties’ debate when “economics” was aping “physics” in the hope of upgrading its status!

As a result of all this Islamic economics has not emerged as an independent, interdisciplinary approach to understanding and building economic structures of Islam, but as a sub-discipline of western economics. Because western economists can readily see the ideas, tools and modes of thought of their discipline dominating all that is happening in Islamic economics, they do not feel threatened by it. Indeed, witness the number of western scholars who have taken the subject to their heart and are writing papers and acting as consultants to Islamic banks? The entire exercise is a process of assimilation. Both in terms of thought and practice, Islamic economics is already sucked into the money system. Western economics behaves, in theory and action, as an integrated system; and this system is a machine. A self-amplifying process is already in motion.

If Islamic economics, just like Islamic science, has any meaning it is purely in the context of Islamic society and Muslim civilization. In this context, Islamic economics has to solely rely not only on Islamic principles and injunctions, but develop its own tools of thought and analysis as well as its unique institutions. Islamic economic institutions have to be rediscovered, evolved and invented on the basis of the needs of Muslim societies and the principles of Islam, not taken or

adopted from what already exists in the market place. To a very large extent, this means that Islamic economics must adopt an axiomatic approach, and construct living and dynamic Islamic economic system, concept by concept, institution by institution, and operationalizing Islamic injunctions such as the prohibition on *riba* and introduction of *zakat* in truly authentic manner. Such an approach is not likely to find favour with western economists as it will strike at the heart of their system.

Fortunately, there are a few Muslim economists who appreciate the importance of axiomatic approach. In the early seventies, in a short paper, Abdul Hamid Ahmad Abu-Sulayman demonstrated how the concepts of *tawheed* and brotherhood can be used as an analytical tools to construct the basis of Islamic economic theory. Although some of his conclusion were a little simplistic, his analysis forced him to tackle such issues as mode of production, role of technology and sharing of natural resources which has continuously escaped the attention of Muslim monetarists.

However, Syed Nawab Haider Naqvi in his *Ethics and Economics: An Islamic Synthesis* (Islamic Foundation, Leicester, 1981) has shown what can be achieved by the axiomatic approach. Naqvi argues that any set of axioms to be meaningful must satisfy our criteria: they must be adequate and legitimate representation of Islam's ethical views; they must form the smallest possible set; the elements of the set must be internally consistent; and the axioms must have predictive power.

On this basis, Naqvi argues that Islam's ethical philosophy can be summarized by four axioms: unity, equilibrium, free will and responsibility. Unity, or *Tawheed*, refers not only to the unity of God, but also the unity of human life and the healing of the "current schism between ethics and economics". Social justice is only one component of equilibrium which is derived from Justice or *adl*. Free will refers to human freedom in the realm on worldly affairs; but free will can also lead to the denial of unity and upset nature's equilibrium unless man is made responsible for his actions. All four concepts are interlinked and interrelated and cannot be isolated from each other; discarding any one of them would mean demolishing the entire framework.

Naqvi uses his four axioms to develop the basic policy objectives of the Islamic economic system. He isolates social justice, universal education, economic growth and employment generation as the key policy objectives of Islamic economics. These policies are to be met by limiting ownership of private property, "direct and indirect controls to regulate not only the level but also the composition production and consumption", development of an elaborate social security system, and economic growth. Naqvi takes care to define the type of growth he is seeking. He rejects growth policies which require excessively inequitable income distribution and argues for a pattern of growth which combines state control of means of production with policies which encourage private initiatives and aim at equalizing "the competing claims of present and future consumption".

The strength of the axiomatic approach, as Naqvi demonstrates so convincingly, is that it provides not just the tools for analysis and guides inquiry, but it also produces 'policies for action. However, despite the strength of his approach, Naqvi could not completely shed the influence of western economic thought. While *riba* clearly contradicts the axiomatic framework he has set up, he is unable to suggest institutions which can thrive and promote unity, equilibrium, free will and

responsibility while shunning interest. By not being able to cope with *riba*, Naqvi essentially undermines his own approach: the very objective of axiomatic analysis is not to compromise on principles, methods and institutions. Naqvi's compromise is the result not so much of his approach but the paramount belief in his discipline: he describes his approach as one of "scientific objectivism" and seems to have more faith in the theory of positive time preference than on the dictates of axiomatic framework. Those who seek to justify their analysis by invoking the higher deity of "scientific objectivism" (whatever it may be: certainly not many self-respecting scientists believe in its existence as is evident from the vast literature on science, subjectivity and ideology), clearly do not have enough confidence in what they are doing.

Despite its obvious shortcomings, Naqvi's study clearly demonstrates the power of the axiomatic approach. If Islamic economics is to yield positive dividends for Muslim societies, axiomatic analysis must become the key to all work on the subject. Indeed, Muslim economists need to go much, much further than Naqvi. Although Naqvi is careful to define such notions of dominant economic paradigms as "Economic growth", "means of production" and "social security" in Islamic terms, original Islamic concepts and notions have to be dug out and used to express precisely what is meant.

As I have argued repeatedly, language and concepts have a profound impact on our thinking and can take us unwittingly in strange directions. Indeed, the fundamental flaw with Naqvi's study is not that he was unable to cope with interest or *riba*, but that he moved away from pure Islamic concepts such as *tawheed*, *adl*, *istislah* and *khilafah* to vague European notions of equilibrium and responsibility, thus limiting the richness of the original concepts. The Axiomatic approach has to be based on conceptual analysis, with pure Qur'anic and *Shariah* concepts providing both the framework as well as the methodological tools for analysis. Furthermore, he arbitrarily limits them to four: while it may make one's life simpler, there is no universal law which states that axiomatic inquiry has to be based on a minimum number of concepts. That the rich reservoir of concepts to be found in the Qur'an and Sunnah are not there to be ignored or present intellectual and physical status is a direct outcome of the fact that for over four hundred years we have chosen to ignore them. Each one tells us something about the worldview of Islam; and all of them must play their part in the axiomatic analysis that is to produce a contemporary system of Islamic economics.

Moreover, axiomatic economic analysis cannot be based on outmoded linear, either/or logic of western economics. This logic can neither cope with contemporary complex realities nor with the richness and multi-dimensional nature of Islamic concepts. How does, for example, on the basis of linear logic, one reconcile the idea that *Zakat*, which involves subtracting from one's income, can actually lead to increase of wealth? Growth by subtraction is an idea that western economics has no understanding of. As soon as one adds value and cultural criteria to conventional economic analysis, it ceases to make sense. Islamic economic analysis, therefore, has to be carried out at higher level of logic, where options and cost-benefits are not measured in linear categories and policy measures are not seen in either or terms.

The linear logic of western economics is reflected in the present structure of the world. Economically and technologically, the globe is structured as though developing countries, including all Muslim countries, were colonies of the industrialized states. Colonialism is alive and well; and the US, EU, Scandinavia, Switzerland and Japan are reaping its benefits. And western

economic theory provides the paradigm which has created this structure. There are metaphysical axioms at its base and its tools and logic have evolved to express these fundamental assumptions of the Western civilization. Islamic economics is not going to break this structure if it freely borrows from this paradigm: on the contrary, it will become part of that structure. Thus, all those Muslim economists who argue that we should not hesitate to borrow the “good” and “neutral” bits of the western economic theory are asking to be absorbed into the dominant paradigm. There are no “good” and “neutral” bits of western economics: it is one vast, interlinked value-laden, self-perpetuating system that is taking linear logic to its ultimate conclusion. E F Schumacher often related that his conversations with leaders of many developing and socialist countries ended with these leaders telling him, “that, the western capitalist countries are like express trains heading towards a precipice of self-destruction, and then they add: *but we shall overtake them!*” The modern economic theories and tools of analysis are the engine that drives this train.

If Islamic economics is to move towards the ideals that its proponents express, then it must develop not just its own body of theories and models, but also its own tools and modes of logic and thought. In other words, it must assume a civilizational role and work towards laying the foundations and building the structures of a Muslim civilization of the future. It has to break the shell of an atomized discipline, and become a multi-disciplinary mode of inquiry taking into consideration the social organizations, the political ideals, the environmental imperatives and scientific and technological needs of Muslim societies. In the modern world, where complexity and complementarity are all too evident, isolated ideas and policies do not produce positive results. Islamic economics has to draw not just from Muslim history, and contemporary Muslim societies, but also from the future. Islamic economics has to develop a future consciousness or be ready simply to be swept away.

All this means that Islamic economics should not be the sole concern of the “economists”, but Muslim scientists, technologists and environmentalists must also make their contribution to the field. Moreover, Muslim economists themselves have to develop an inter-disciplinary base with a clear vision of the future, be aware of the long-term trends and conscientiously direct Muslim societies towards the desired economic future. In particular, there are a number of global trends that spell danger for Muslim countries and need serious examination from the proponents of Islamic economics.

- It is almost a truism now to state that the world is shrinking and becoming more and more economically inter-linked and inter-dependent. In such an inter-connected world, how would interest-free economies deal with a global system exclusively based on interest? As the process of inter-connection speeds up, it will become even more difficult for interest-free economies to delink and survive. The only winners in this exercise, as experience so far has shown, is the western banking system. Given this trend, the development of a functional alternative economic structure that is not plugged in to the global system, becomes a matter of survival. How to delink from the world’s economic system must, therefore, become a major theme of Islamic economics.
- Electronic banking and fund-transfer systems are giving money an unparalleled and dangerous importance. Because of the speed of electronic systems, the same amount of money now supports five times as many transactions as before. Thus the speeding up of

information about money also increases its velocity of circulation. At a point not too distant in the future, when the speed of transactions reaches “real time”, that is there is no delay in transmission, money will acquire a strange new status: “the velocity of the information about money flows would lose all relationship with the thermodynamic realities of the actual system (subject to natural cycles of crops, weather, friction, inertia and human frailties), and the amount of money and capital available at any point in the banking system would tend towards infinity. As the information about money system became delinked from actual events, all manner of new ventures and schemes might be initiated by false promissory notes signaling capital availability with nothing more than an electronic impulse over a computer terminal.” (Hazel Henderson, “Post- Economic Policies for Post-Industrial Societies”, Revision 7 (2) 20-29 (winter 84).

Moreover, computerization of stock markets throughout the world has blurred the distinction between investment and speculation; the entire system is moving towards becoming a world-wide gambling casino with no pretension to serving social needs. Given these futuristic drop, the overemphasis on monetarist and fiscal policies of contemporary thought on Islamic economics is a dangerous trend. Muslim economists must be aware of the changing role of money and its implications for Muslim societies; and diversify the basis of Islamic economic thought towards non-monetarist and non-fiscal areas.

- Along with increase in the velocity of information about money, information itself has become a key commodity. Economic power today is determined by ability to generate and having access to information. It has the same role as energy is playing now. Thus Islamic economic theory must be developed to cope with non-material commodities like information and energy
- At present, Muslim countries are essentially consumer states relying exclusively on imported goods. This situation is likely to get worse and the associated ill-effects of the ever increasing social, psychological and intellectual distance between producers and consumers will multiply at great speed. Therefore, it must be a major task of Islamic economics to change the patterns of consumption in Muslim societies as well as to direct production towards directions which are more suitable to the needs of Muslim consumers. Islamic economics will ignore industrial and consumer policies at the expense of its ideals.

The ethics of Islamic economics have been stated and restated and are now abundantly clear. However, the formidable task of transforming this ethics into a dynamic system, that has its individual identity with its own institutions and methodological tools, and presents a real alternative to the dominant paradigm, has only just begun. It is a long and arduous task with no shortcuts. As long as Muslim economists remain true to their worldview, each new idea, each new theory, each new innovation will take us that much closer to a dynamic, thriving Muslim civilization of the future.

JUSTICE IN THE MARKET: AN EXPOSITION OF ISLAM'S MARKET IDEOLOGY

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Abstract

This paper sought a coherent presentation of the Islamic market doctrine. It is established that the Islamic market ideology seeks to promote the overall economic well-being of the members of society through creating fair opportunities for economic gains, enforcing the right to private property, and curbing exploitative tendencies of economic agents towards one another, among other things. Consequently, the Islamic market ideology is founded on the ideals of economic justice, which, generally, emphasizes fairness as a moral duty enforceable by the state. It is further established that the individual has the right to engage in exchange activities and earn fair rewards, and this must not, ordinarily, be interfered with. However, when, in the course of exercising this right, the individual's pursuit of self-interest puts the overall public welfare into jeopardy, the state is obliged to give public welfare precedence over individual self-interests. Thus, there is room for the state to intervene even in pricing; though, under normal circumstances, prices in the market should depend on the prevailing market conditions. In the history of Islamdom, public authority has played the role of market superintendence, and, in some, cases, even fixed prices in the markets.

Keywords: Islam, market, economic justice, public welfare.

1. INTRODUCTION

The market doctrine of Islam (or aspects of it) has (have) received considerable attention in literature. The earlier scholars have usually approached it from a legalistic perspective, mostly content with distinguishing between the permissible and impermissible market behaviors. The more recent studies, on the other hand, have tried to derive an ideology similar to modern ideologies on the subject (such as capitalism and socialism). For instance, recent studies on the history of Islamic economic thought (such as, Essid, 1987¹; Islahi, 1988²; Ghazanfar & Islahi, 1990³; Hosseini, 1995⁴; Ghazanfar & Islahi, 1997⁵; Hosseini, 2003⁶; and Islahi, 2005⁷) have often attempted to derive a coherent idea of an 'Islamic free market' in their discussions, based on the literature of the early scholars. However, some of these studies have often treated the subject briefly, limiting their discussions to aspects of it. Oğuz & Tabakoğlu (1991), for instance, briefly discuss market pricing in Islam as a background to analyzing state pricing behavior in the Ottoman State; another example is Puthenpeedikayil (2015) who presents the subject simply as "either in the form of certain market norms or in the form of some prohibitions"⁸. Other studies are simply attempts to coherently summarize expositions of early scholars on the subject. Islahi (1988) and Ghazanfar & Islahi (1990), for instance, discuss the economic ideas of Ibn Taymiyyah, and, in these, explain his understanding of the Islamic market ideology; Ghazanfar & Islahi (1997) also discuss the ideas of Ibn al-Qayyim (d. 1350) in a similar style.

Undoubtedly, Ibn Taymiyyah (d. 1328) has made significant contributions to the subject matter (i.e., Islamic market), especially with his work, *Al-Hisbah fi 'l-Islam* (translated as: *Public Duties in Islam*), dedicated to, among other things, juristic discussions on many aspects of the subject – including market pricing, price regulation, etc. It is the basis upon which a lot of recent studies on price control in Islam have been conducted, a testament to its valuable contribution. An example of such recent studies is the third chapter of Abdul Azim Islahi's *Economic Concepts of Ibn Taymiyyah*, which attempts to synchronize Ibn Taymiyyah's ideas, from his various writings⁹, into some coherence. On its own, this study is a valuable addition to the literature. Other examples include Muhammad L. Bashar's *Price Control in an Islamic Economy*¹⁰ and Muhammad H. Kamali's *Tas'ir (Price Control) in Islamic Law*¹¹, both of which give detailed discussions of scholarly positions on the fixation of price by public authority, using Ibn Taymiyyah's book as their main reference material. However, as far as the subject matter of Islamic market doctrine is concerned, price control is just an aspect; Islam's market ideology is wider and more comprehensive than issues of price control (*tas'ir*), though such issues form an integral part of the ideology.

¹ Essid, Y. (1987). Islamic Economic Thought. In S.T. Lowry (Ed.), *Pre-Classical Economic Thought From the Greeks to the Scottish Enlightenment* (pp. 77-102)

² Islahi, A.A. (1988). *Economic Concepts of Ibn Taymiyyah*.

³ Also published as Ghazanfar, S.M., & Islahi, A.A. (2003). Explorations in Medieval Arab-Islamic Economic Thought: Some Aspects of Ibn Taymiyyah's Economics. In S.M. Ghazanfar (Ed.), *Medieval Islamic Economic Thought: Filling the "Great Gap" in European Economics* (pp. 53-71).

⁴ Also published as Hosseini, H. (2003). Understanding the Market Mechanism Before Adam Smith: Economic Thought in Medieval Islam. In S.M. Ghazanfar (Ed.), *Medieval Islamic Economic Thought* (pp. 88-107).

⁵ Also published as Ghazanfar, S.M., & Islahi, A.A. (2003). Explorations in Medieval Arab-Islamic Economic Thought: Some Aspects of Ibn al-Qayyim's Economics (AH 691-751/1292-1350 AD). In S.M. Ghazanfar (Ed.), *Medieval Islamic Economic Thought: Filling the "Great Gap" in European Economics* (pp. 128-141).

⁶ Hosseini H. S. (2003). Contribution of Medieval Muslim Scholars to the History of Economics and their Impact. In W.J. Samuels, J.E. Biddle, & J.B. Davies (Eds.), *A Companion to the History of Economic Thought* (pp. 28-45)

⁷ Islahi, A.A. (2005). The Islamic Tradition in Economic Thought: Theory of Value, Market and Pricing. In A.A. Islahi, *Contributions of Muslim Scholars to Economic Thought and Analysis* (pp. 25-33).

⁸ Puthenpeedikayil, S. (2015). Notions of Free Market and Social Welfare in Islamic Economics. *Journal of Modern Accounting and Auditing*, 11(9), 476-486, p. 479.

⁹ Including collections of religious verdicts (*fatāwa*) issued by him.

¹⁰ Bashar, M.L. (1997). Price Control in an Islamic Economy. *JKAU: Islamic Economics*, 9, 29-52.

¹¹ Kamali, M.H. (1994). *Tas'ir (Price Control) in Islamic Law*. *The American Journal of Islamic Social Sciences*, 11(1), 25-37.

Some attempt must be made to widen the discussion, by putting together all relevant aspects of the subject matter into some coherent whole, in order to convey a much more complete understanding. A study based on such an approach would be important to the attempt to understand the economics of historical Islamdom, as well as future attempts [if any] to apply such a doctrine in organizing society.

In view of the above, this study seeks to undertake a coherent analysis of the Islamic market doctrine. In the forthcoming sections, we will attempt to explicate the Islamic market ideology as one that functions toward the fulfilment of economic good, an integral component of the public good that Islamic law functions to fulfil. Economic good, from the Islamic perspective, entails fair and equitable provision of the means of sustenance to all members of society, and an equitable distribution of wealth, among other things. We will attempt to present the market as an institution that functions to achieve these ends, a function that necessitates its structuring on the ideals of justice. Thus, in a nutshell, our study seeks to explain Islamic market as an ideology that is structured on the ideals of justice to ensure the attainment of society's economic good. We will establish that though the interest of individuals is upheld, public welfare is given precedence when the two [i.e., individual interest and public welfare] are in conflict. Our approach, we hope, will convey a more complete understanding of the Islamic market doctrine, and put the legal norms and prohibitions, with respect to market activities, into a proper perspective.

Before we proceed, two clarifications are necessary. First, with respect to commodities subject to the normative laws of the market, Islamic scholars distinguish between *necessities* and *luxuries*, and this distinction has a bearing on legalities of action in relation to commodities. For instance, Ibn Khaldūn (*d.* 1406) contends that “people have no compelling need” for *luxuries* (relative to *necessities*) and that they demand them simply for “the diversification of desires”¹². Consequently, people “spend their money voluntarily and willingly [on luxuries], and they retain no hankering after (the money) they have paid”¹³. Thus, there is no blame on a seller/merchant if he hoards luxury goods in order to make higher economic gains. In this study, the discussion is limited to commodities that are considered *necessities*; these obviously vary according to location and time, but the general rule applies to them as long as they are considered *necessities*. Secondly, the Islamic market doctrine, as a normative ideal, applies to an Islamic context, where a legitimate Islamic political authority is recognized as such, though aspects of it are applicable, generally, in non-Islamic settings. Thus, our analysis assumes an Islamic setting, with a functioning Islamic government.

The rest of the paper is organized as follows. In section two, public interest is discussed as an object of Islamic law, from which derives economic good as an objective of the Islamic economic doctrine. The concept of justice is introduced as an integral element of the Law, and a means through which public good is realized; as a subset of justice, economic justice is presented as the concept upon which the Islamic market doctrine is founded, and as a necessary means to attaining economic good. Section two discusses the role of the market in society, from the Islamic perspective, as a precursor to an overview of the Islamic market ideology, which is discussed in section three. In section four, we analyze price formation in the Islamic market, to which issues of production and factor returns are relevant, and are, thus, duly discussed. Finally, we discuss price control (*tas'īr*) in Islamic law, in section five, and then present a historical summary of how the various legal positions on it have been applied in Islamdom. Then we present a conclusion to our discussion in section six.

2. PUBLIC INTEREST AND SOCIAL JUSTICE IN ISLAMIC LAW

It is a consensus among Islamic scholars that one of the central objects of Islamic Law (*Sharī'ah*) is the advancement and preservation of public interest. Auda (2007) contends that the term *masālih* (public interests), for many Islamic legal scholars, is synonymous with *maqāsid al-Sharī'ah* (purposes of the Islamic Law), citing, as an example, Abd al-Malik al-Juwayni's (*d.* 1085) usage of *al-maqāsid* and *al-*

¹² Ibn Khaldun, A.B. (1958). *The Muqaddimah* (Vol. II). (F. Rosenthal, Trans.), p. 339.

¹³ Ibid, p. 339

masālih al-‘āmmah [public interest] as synonymous terms¹⁴. Al-Qarafi (d. 1868) elaborates this relationship, asserting that “[a] purpose (*maqsid*) is not valid unless it leads to the fulfilment of some good (*maslahah*) or the avoidance of some mischief (*mafsadah*)”¹⁵. Thus, the *Shari’ah* seeks to promote all that is good (for society and its members) and to thwart all that is bad (for society and all individuals within it). So, what specifically does *maslahah* (public “good”) imply with respect to the application of the *Shari’ah*? Fazlur-Rahman Ansari (1914-1974) answers this question, profoundly, with his assertion that the *Shari’ah* enjoins the political authority of an Islamic society (i.e., the state) to pursue “the spiritual, moral, intellectual, physical and social preservation and development of the individuals, with a view to the establishment of a righteous society, i.e. a society which is healthy in all respects”¹⁶. Clearly, the object of the *Shari’ah* is linked with the Islamic concept of human life, and public ‘good/interest/welfare’ implies a broad terminology that entails all the facets of a complete life; Imam al-Ghazālī (d. 1111) opines that “Islam sets goals¹⁷ for human life” and that “[all] matters (be they activities or things) that help in achieving these goals increase social welfare, and are called *masālih*...; those opposite are *mafāsīd* [i.e., things that cause losses in public welfare]”¹⁸. The spirit of the law, thus, is to help the individual achieve success in life by promoting a positive development of his/her personality and creating a society that supports this agenda. In order to achieve this all-important goal of promoting public good, there are very important principles that must be adhered to, and which have been made an integral part of the law. One of such principles is the duty of establishing justice in society. This Ibn al-Qayyim al-Jawziyya (d. 1350) alludes to with his assertion that the “*Shari’ah* is God’s justice and mercy amongst His people” and that “[life], nutrition, medicine, light, recuperation and virtue are made possible by it”¹⁹.

Justice, divinely ordained²⁰ upon human beings and the political state, may be defined as “giving to everyone his due on the basis of equity”²¹. The Qur’an portrays it “as an imperative which is unconditionally, universally and absolutely binding...on everyone, under all circumstances, and in all situations”²². It is “an absolutely indispensable ingredient of the *maqāsid al-Shari’ah*, so far so that it is impossible to conceive of an ideal Muslim society where justice has not been established”²³. Establishing justice is not just a duty but a virtue of a very high regard; it is “nearest to piety” according to the Qur’an²⁴. In its broad sense, it is classified into two categories: justice at the individual level; and justice at the collective level²⁵. At the individual level, justice implies the active pursuit of self-development in harmony with the ethics of the Qur’an, and the observance of fairness in dealings with other members of society (i.e. giving to others their due in the most deserving manner)²⁶. At the collective (communal) level, justice relates to four aspects of the social organization, including justness with respect to: (1) social relations; (2) the process and enforcement of the Law; (3) economic administration; and (4) political administration²⁷; all

¹⁴ Auda, J. (2007). *Maqasid al-Shari’ah as Philosophy of Islamic Law: A System Approach*.

¹⁵ Ibid, p. 2

¹⁶ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol II), p. 57.

¹⁷ The ultimate goal is the attainment of eternal bliss [see Al-Ghazālī, A.M. (1993). *Ihya Ulum-Id-Din (Revival of Religious Learnings)*, (Vol. II). (Fazl-ul-Karim, Trans.), p.45]

¹⁸ Ghazanfar, S.M., & Islahi, A.A. (1997). Economic Thought of Al-Ghazali (450-505 A.H./ 1058-1111 A.D.). *Islamic Economics Research Series, King Abdulaziz University-2*, p. 7.

¹⁹ Deuraseh, N. (2012). New Essential Values of Daruriyyah (Necessities) of the Objectives of Islamic Law (Maqasid al-Shari’ah). *Jurnal Hadhari*, 4(2), 107-116, p. 109.

²⁰ Part of the mission of the prophets sent by God to various nations was to establish justice among the people: “We have already sent Our messengers with clear evidences and sent down with them the Scripture and the balance that the people may maintain [their affairs] in justice” [Qur’an 57:25 (Saheeh International Translation, 2010)].

²¹ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol I), p. 209

²² Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol I), pp. 208-9.

²³ Chapra, M.U. (1992). *Islam and the Economic Challenge*, p. 209.

²⁴ “...Be just; that is nearer to righteousness” [Qur’an 5:8 (Saheeh International Translation, 2010)].

²⁵ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol I).

²⁶ Ibid

²⁷ Ibid

these have their respective roles to play in bringing about public good. In line with the theme of this study, we focus on two aspects of justice; individual justice, and the administration of economic justice at the communal level. We discuss them not as separate themes, but as aspects of the overall concept of economic justice, which, in turn, is an integral component of the broad conception of justice from the Islamic viewpoint.

The administration of economic justice (at the individual and communal levels) is important to the Islamic market doctrine; the ideals of the Islamic market doctrine are built on the principles of justice within the above-mentioned forms. The establishment of the ideals of economic justice is as indispensable to the achievement of economic good as the establishment of justice, in its broad sense, is to the achievement of public good. Thus, the Islamic market doctrine cannot be properly understood without first understanding the ideals of justice at the communal and individual economic levels. First and foremost, it is important to highlight some key Qur’anic concepts upon which the principles of economic justice are built. The first important Qur’anic concept is that “all human beings are equally honorable in respect of their humanity”²⁸. The Qur’an states: “*And We have certainly honored the children of Adam and carried them on the land and sea and provided for them of the good things and preferred them over much of what We have created, with [definite] preference*”²⁹. This principle enjoins all individuals to treat fellow human beings in the manner befitting their humanness, and in the manner they would wish other human beings to treat them. Secondly, the Qur’an guarantees every member of the society the right to sustenance³⁰. This, according to Fazlur Rahman Ansari (1914-1974), implies that “all human beings have equal right to the means of sustenance found on earth – and that, consequently, the citizens of the Islamic State have equal right to the means of sustenance found in the State”³¹. The third Qur’anic concept is that the reward of labor must be commensurate with the effort applied: “*And that there is not for man except that [good] for which he strives*”³². This implies that the state is duty-bound “to establish an economic order wherein the labor of every citizen is fully rewarded”³³. Finally, it is also a Qur’anic concept that material wealth in society must not be concentrated in the hands of a few privileged members, thus creating wide income and material disparity among members of society³⁴.

On the basis of these four concepts (among others), the state has a duty to create an economic order with the following features:

1. It should guarantee all members the right to private property and protection against its unlawful violation. Sheikh Yusuf al-Qaradāwī says, in this regard, that “[since] the *Sharī’ah* sanctions the right to personal property, it protects it, both by means of moral exhortation and legislation, from robbery, theft, and fraud”³⁵.
2. It should provide equitable opportunity for all abled members of society to engage in economic activity and earn just rewards from it.
3. The system should ensure fair and balanced distribution of wealth in society by:
 - a. Creating a production and exchange arrangement that guarantees fair outcomes to all participants.

²⁸ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol II), Book III, p. 73.

²⁹ Qur’an 17:70 (Saheeh International Translation, 2010)

³⁰ “***And He placed on the earth firmly set mountains over its surface, and He blessed it and determined therein its [creatures]’ sustenance in four days without distinction - for [the information] of those who ask***” [Qur’an 41:10 (Saheeh International Translation, 2010)]

³¹ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol. II (Book III)), p. 72.

³² Qur’an 53:39 (Saheeh International Translation, 2010)

³³ Ansari, M. F.-u.-R. (2008). *The Qur’anic Foundations and Structure of Muslim Society* (Fourth ed., Vol. II (Book III)), p. 73

³⁴ See Qur’an 59:7; it lays out this principle clearly.

³⁵ Al-Qaradawi, S.Y. (2001). *The Lawful and the Prohibited in Islam* (Second Ed.). (K. Hilbawi, M. Siddiqi, & S. Shukri, Trans.), p. 326.

- b. Ensuring productive use of resources, without wastage, idleness, and extravagance.
 - c. Enforcing the welfare system through which the rich take care of the poor and needy. It is important to note that Islam frowns upon deliberate economic inactivity (and, consequently, permanent economic dependence upon others) and encourages its adherents to earn their livelihood with their own hands. It is forbidden for man “to depend on charity while he is able to earn what is sufficient for his and his family’s needs through his own efforts”³⁶. However, it also recognizes that some members of society, due to circumstances beyond their control, find themselves in a position of weakness, and thus have their right to sustenance upon the society³⁷.
 - d. Enforcing the prohibition of usury and interest (of all forms) as a means of preventing the rich from milking the poor and widening the economic gap.
4. It should enforce the prohibition of all forms of economic exploitation at all levels of society³⁸. And this is important to the preservation of equality in human value, the labor’s right to fair reward, and the right to fair economic opportunities for all persons.
5. The individual members of society must be morally trained/persuaded (and/or legally compelled) to:
 - a. Actively pursue economic activity in order to be self-reliant;
 - b. Act within moral bounds in their economic dealings;
 - c. Desist from exploiting other persons for their personal economic benefits;
 - d. Desist from denying others the opportunity to seek their sustenance by either seeking to monopolize aspects of the production and exchange arrangement or using force;
 - e. Refrain from causing damage to, or wasting, resources that are owned individually or collectively;
 - f. Willingly contribute to the welfare scheme that seeks to take care of those in need.

The above-mentioned principles are by no means exhaustive in regards to the completeness of the Islamic concept of economic justice. However, they are enough to support the argument to be presented in forthcoming sections of this study.

So, in light of the principles enumerated above, the Islamic economic order (or any aspect of it) would seek to establish a society that promotes the overall economic well-being of its members through creating fair opportunities for economic gains, enforcing the right to private property, curbing exploitative tendencies of economic agents towards one another, and other measures like these that are consistent with the value system of Islam. The market component of the Islamic economic doctrine plays the role of ensuring that the market institution accords all members of society a fair chance of fulfilling their needs in the most just manner, whether they are acquiring or they are providing. Most essentially, economic interests of individuals must not put the general need of the society into jeopardy; that is, the pursuit of the private profit motive must not result in undue denial of other people’s right to sustenance, impede others’ right to participation, or result in exploitative behaviors.

3. THE ROLE OF THE MARKET IN SOCIETY

Islam recognizes the market as an avenue for people to acquire what they need in exchange for what they possess according to mutual terms. It also recognizes it as a means through which people translate

³⁶ Ibid, p. 121

³⁷ This is taken care of through the zakat system and other similar interventions.

³⁸ *“The way (of blame) is only against those who oppress men and wrongly rebel in the earth, for such there will be a painful torment.”* [Qur’an 42:42]

their productive labor into fair economic gains. In a nutshell, it is an avenue through which the economic needs of society are fulfilled. Without such an avenue, people would simply be stuck with their own possessions, unable to obtain the materials they require to have a balanced life. Its absence may even threaten order in society as this would impede production of, and access to, the necessities of life. Every necessity of life is only obtainable through an exchange avenue, and that is what the market represents. Imam al-Ghazālī emphasizes the role of the market in society with the following example: “...a man has got food, but has got no riding camel. He who has got a camel has got necessity of food. So between them there is the necessity of exchange of these two things and fixation of their value”³⁹. In the Qur’an, God asserts how integral the markets were even to the lives of previously sent prophets and messengers of God: **“And We did not send before you [O Muhammad] any of the messengers except that they ate food and walked in the markets”**⁴⁰. This citation highlights, among other things, the role of the market in providing an avenue for access to foodstuff, a necessity of life, and also how the prophets and messenger did not allow spirituality to prevent them from seeking livelihood through the markets. Indeed, among the first things Prophet Muhammad is reported to have done, upon migration to al-Madinah, was to designate a place for setting up a market⁴¹, a proof of how important the Prophet considered the market to the order of society. The market is, thus, pivotal to the attainment of the economic good. It brings to a point the collective outcome of the society’s productive activities, and ensures their appropriate distribution. It also serves as means of actualizing the divinely-ordained right to own and earn, such that private individuals are able to attain rewards for their legitimate offer of labor.

As important as the market is, Islam also recognizes it as a meeting point of individuals who, by their innate nature, have an avaricious tendency (see Qur’an 100:8)⁴². Ibn Kathīr (d. 1373), in his Qur’anic commentary, says the verse (i.e., Qur’an 100:8) implies either that man is “severe in his love of wealth” or that “he is covetous and stingy due to the love of wealth”⁴³. The Prophet is also reported to have said: “If Adam’s son [man] had a valley full of gold, he would like to have two valleys, for nothing fills his mouth except dust [of the grave]”⁴⁴. If allowed to act freely in such avenues for exchange, the avariciousness of men would be nurtured into producing disastrous consequences for both men (in their persons) and society at large⁴⁵. Love of wealth and the desire to acquire them in multitudes will become the dominant intent of men in their economic pursuits, and eventually destroy their spirituality. For society, there are two possible consequences of such freedom. First, the public would be at the mercy of greedy merchants/suppliers, who would apply all means necessary to increase their market shares and economic gains; consequently, public economic welfare suffers, even though a few private individuals make enormous gains. Such a phenomenon would be contrary to the Qur’anic principle that encourages a wider dispersion of wealth rather than its concentration in the hands of few privileged members of society⁴⁶. Second, the market, if absolutely free, reorganizes its distribution toward areas that attract the largest economic gains. Though economic theory predicts a normalization of profits in the long-term for such free markets, the intermittent short-term

³⁹ Al-Ghazali, A.M. (1993). *Ihya Ulum-Id-Din [Revival of Religious Learning]* (Vol. IV). (Fazl-ul-Karim, Trans.), p. 83.

⁴⁰ Qur’an 25:20 (Saheeh International Translation, 2010)

⁴¹ Sadr, S.K. (2016). *The Economic System of the Early Islamic Period: Institutions and Policies*.

⁴² **“And indeed he [man] is, in love of wealth, intense”** (Saheeh International Translation, 2010).

⁴³ Ibn Kathir, A.-F.I. (2003). *Tafsīr Ibn Kathīr* (Vol. X). (J. Abualrub, N. Khitab, H. Khitab, A. Walker, M. Al-Jibal, & S. Ayub, Trans.), p. 568.

⁴⁴ “If Adam’s son had a valley full of gold, he would like to have two valleys, for nothing fills his mouth except dust. And Allah forgives him who repents to Him.” [Sahih al-Bukhari, Vol. 8, Hadith No. 6439]

⁴⁵ **“Satan threatens you with poverty and orders you to immorality, while Allah promises you forgiveness from Him and bounty. And Allah is all-Encompassing and Knowing”** [Qur’an 2:268 (Saheeh International Translation, 2010)]

⁴⁶ In Qur’an 59:8, God says: “And what Allah restored to His Messenger from the people of the towns – it is for Allah and for the Messenger and for [his] near relatives and orphans and the [stranded] traveler – so that it will not be a perpetual distribution among the rich from among you...” (Saheeh International Translation, 2010).

movements according to magnitude of gains is, obviously, detrimental to basic needs of the public; the self-regulating market responds to its own needs rather than the needs of the larger public.

In view of the above, Islam places moral obstructions on the freedom of the market to self-regulate; such obstructions are moral obligations upon market participants, fulfilment of which are integral to the Muslim personality. Those with the requisite moral training are, naturally, able to fulfil these; on the other hand, the state is obliged to impose their fulfilment upon men when they falter on their own. Market regulation, therefore, is an integral duty of the state, whose primary objective is to promote public good – a comprehensive concept that captures all aspects of society. Thus, the Islamic market provides a balance between the individual's right/freedom to produce, trade, and earn fair rewards, on the one hand, and society's overall economic welfare, on the other. The individual's exercise of his freedom is not allowed to produce detrimental effects on the welfare of society.

4. THE ISLAMIC MARKET IDEOLOGY IN BRIEF

In line with the ideals of economic justice and the spirit of the Law, the Islamic market ideology is oriented towards a *conditionally-free*⁴⁷ enterprise and fair competition; it frowns upon monopolistic tendencies and unjustified restrictions on the individual's freedom to own and earn. It allows for acquisition of property, and permits "any trade except that which involves injustice, cheating, making exorbitant profit⁴⁸, and the promotion of something haram [prohibited]"⁴⁹. It places injunctions against actions of economic agents oriented towards unjustifiably manipulating market conditions to suit their personal interests. It organizes the market in a way that promises fair outcomes to participants if allowed to function without undue manipulations. And, it places a duty upon state authority to act as the moral superintendent of the market, guarding against all that contradict the ideals of justice and jeopardize public interest, including taking actions to correct imbalances that emerge in the market.

It is clear, from the above, that there is no absolute freedom within the Islamic market. Freedom is conditioned by the demands of morality (upon all important stakeholders), exerted through moral inducement, and then through legal coercion (when persuasion fails). The individual is free to make economic gains, but, in doing so, is not permitted to violate the economic (and other) rights of the other members of society. In fact, it is a principle in the application of the law that "any transaction in which one person's gain results in another's loss is unlawful"⁵⁰. Such is in line with the principle of fairness; one which looks out, especially, for people who find themselves in disadvantaged positions with respect to exchange transactions. In the prophetic traditions (hadith), specific acts have been mentioned, which, if perpetrated by private market participants, would threaten the fairly competitive market environment Islam seeks to create; three of them – *najsh*, hoarding, and forestalling – would suffice for our discussion here. *Najsh*⁵¹ occurs when a person "offers a bid merely to incite another needy buyer into paying a higher price"⁵². *Hoarding*⁵³, on the other hand, occurs when a supplier restricts supply to the market, by hiding what should be delivered for sale, in order to make extra gains. According to Ibn Khaldūn (d. 1406) the outcome of such an act is tantamount to "taking people's property for nothing" since such people paid the resultant high prices out of "compulsion" and their "souls continue to cling" to whatever they may have spent⁵⁴. Finally,

⁴⁷ There are moral bounds that define the freedom. Where the moral sense of the individual fails to induce him into acting morally, the law coerces him to do so.

⁴⁸ This will become clearer in the course of the discussion.

⁴⁹ Al-Qaradawi, S.Y. (2001). *The Lawful and the Prohibited in Islam* (Second Ed.). (K. Hilbawi, M. Siddiqi, & S. Shukri, Trans.), p. 136.

⁵⁰ Ibid, p. 141

⁵¹ Ibn Umar narrated that: "*The Prophet forbade the Najsh*" (Sunan Ibn Majah, Vol. 3, Hadith Number 2173)

⁵² Ibn Majah, M.I. (2007), *English Translation of Sunan Ibn Majah* (Vol. 3), (N. Al-Khattab, Trans.), p. 244

⁵³ The Prophet is reported to have said: "*Whoever hoards is a sinner*" [Sahih Muslim, Vol. 4, Hadith Number 1605].

⁵⁴ Ibn Khaldun, A.B. (1958). *The Muqaddimah* (Vol. II). (F. Rosenthal, Trans.), p.339

forestalling refers to the interception of goods before they reach the markets⁵⁵. In addition to the tendency (of *forestalling*) to restrict supplies to the market, the original merchant may be unaware of the prevailing market conditions⁵⁶, and this disadvantage exposes him to being cheated. This, perhaps, is the reason why the Prophet added that the merchant has the right to annul any such transaction that takes place outside the market if he arrives at the market and finds better terms. It is clear that these restrictions are in place to protect the fairness of the market and to prevent profiteering out of high prices on the needy consumer. This, then, is again consistent with the ideals of justice and the objective of protecting public welfare. This also brings into question the issue of price and its determination within the Islamic market. But, first, the role of government or state authority is briefly examined.

The state has a duty to ensure the achievement of public welfare through the enforcement of the ideals of justice. It is duty-bound to act as a moral police over market activities. It must thwart all monopolistic and monopsonistic tendencies, prevent any form of exploitation, and check all immoral behaviors within the market. In a nutshell, it must protect the interest of the public by ensuring a natural flow of commodities (especially those that constitute necessities) within the market as well as fair outcomes in terms of prices and profits. It has the power to punish violators of market principles, and, where necessary, directly intervene to restore market conditions to normalcy when imbalances emerge. The question of what exactly the state authority can do when prices are the subject of market imbalance will be answered under the discussion on price control in Islamic markets. As a precursor, it is important to examine price formation in an Islamic market.

5. PRICE AND PROFIT IN THE ISLAMIC MARKET

5.1 Price Formation

The central position that justice occupies in the Islamic market doctrine implies that emergent market prices (and profits that accrue to sellers/suppliers) must necessarily be fair to all market participants. This idea finds proof in a prophetic tradition reported in most of the famous books of hadith collections⁵⁷. It is recorded in *Sunan Abi Dawood*⁵⁸ that:

The people said: Messenger of Allah, prices have shot up, so fix prices for us. Thereupon the Messenger of Allah said: Allah is the one Who fixes prices, Who withholds, gives lavishly and provides, and I hope that when I meet Allah, none of you will have any claim on me for an injustice regarding blood or property⁵⁹.

In this report we find that Prophet Muhammad did not only refuse to interfere with the rising prices, but also declared doing so as injustice. This suggests that whatever price that emerges from the market, under normal conditions (i.e. conformity with the ethic of market behavior), must be harmonious with the ideals of justice; they must not unfairly favor either the buyer or the seller, and both must willingly agree with it as the correct valuation of the commodity in question. For the producer/seller this implies that the price is consistent with his/her basic considerations for cost and profitability. For the buyer, this implies that the price carries no element of exploitation or overvaluation.

⁵⁵ It is narrated from Abu Hurayrah that the Prophet said: "*Do not meet the traders on the way, and whoever meets any of them and buys from him, the vendor has the choice of annulling the transaction when he comes to the marketplace*" [Sunan Ibn Majah, Vol. 3, Hadith Number 2178].

⁵⁶ Communication was difficult at the time and thus information about market conditions could only be obtained by presence in the market; merchants on journey could be unaware of changes in market conditions until they arrived at the markets.

⁵⁷ Musnad Ahmad, Jami' at-Tirmidhi, Sunan Ibn Majah, etc.

⁵⁸ This is a collection of prophet traditions compiled by Imam Abu Dawood Sulayman ibn al-Ash'ath (d. 889)

⁵⁹ Sunan Abi Dawood, Vol. IV, Hadith No. 3451.

In light of the above, and other relevant textual and historical information, I categorize price into two levels; the *Basic Price* (P_b), and the *Prevailing Price* (P_p). The *Basic Price* is the price that reflects the exact per unit cost of producing the commodity in question (including the cost incurred in bringing it to the market). It is a simple summation of all the elements of cost (per unit) in the production process. Its relevance is to serve as a benchmark, for both the seller and public authority, in determining the fairness of the terms of exchange transactions. This is in line with, and makes sense of, the ideals of justice and fairness. Ibn Khaldūn (d. 1406), in *The Muqaddimah*, gives some historical proof of the role of cost in pricing. Firstly, he explains that the cities had higher food prices than the desert regions because the cities had custom (and other) duties “levied on (foods) in the markets and at the city gates” by rulers while such levies were “few or nonexistent among (the Bedouins)”⁶⁰. What he implies is that the suppliers transferred the burden of these levies onto consumers (since necessities normally have highly inelastic demand curves), thus translating into higher food prices. Secondly, and perhaps more conspicuously, he explains that foodstuff was more expensive in Spain of his era as opposed to the Berber region because

*The Christians pushed the Muslims back to the seacoast and the rugged territory there, where (the soil) is poor for the cultivation of grain and little suited for (the growth of) vegetables... Thus, (the Muslims) had to treat the fields and tracts of land, in order to improve the plants and agriculture there. This treatment required expensive labor (products) and materials, such as fertilizer and other things that had to be procured. Thus, their agricultural activities required considerable expenditures. They calculated these expenditures in fixing their prices, and thus Spain has become an especially expensive region... The Berber countries are in the contrary. Their fields are fine and their soil is good. Therefore, they did not have to procure anything (from outside) in order to be able to cultivate agriculture... This is the reason for the cheapness of foodstuffs in their country*⁶¹.

The *prevailing price*, on the other hand, is the value at which the commodity is actually traded in the market at any particular point in time. This *Prevailing Price*, it appears, is what Ibn Taymiyyah (d. 1328) refers to as the *price of the equivalent* (*thaman al-mithl*), which, in his words, is “that rate at which people sell their goods and which is commonly accepted as equivalent for it and for similar goods at that particular time and place”⁶². He asserts that the *thaman al-mithl* of a particular good could change as a result of “deficiency in production or decline in import [of the good]”⁶³. Clearly, Ibn Taymiyyah (d. 1328) ascribes the determination of the prevailing price to market conditions (that is, availability of the commodity vis-à-vis its demand) at a particular point in time. In the primary texts, we find the prohibition of hoarding, and other practices with similar potential effects, as proof of the admission that prices are indeed affected by the quantity of the commodity available in the market versus the extent of need for it. This is even more explicit in the prophetic tradition in which Prophet Muhammad is reported to have said: “**No one withholds goods till their price rises but a sinner**”⁶⁴. Thus, in a nutshell, prevailing market conditions determine the *Prevailing Price* while the cost of production determines the *Basic Price*. The difference between the *basic price* and the *prevailing price* is the economic gain (profit) that accrues from an exchange transaction. But before we discuss this in detail, it is important to discuss capital and labor as essential components of the production and exchange process.

⁶⁰ Ibn Khaldun, A.B. (1958). *The Muqaddimah* (Vol. II). (F. Rosenthal, Trans.), p.278

⁶¹ Ibid, p. 279

⁶² Islahi, A.A. (1988). *Economic Concepts of Ibn Taymiyyah*, p. 83.

⁶³ Islahi, A.A. (2005), *Contributions of Muslim Scholars to Economic Thought and Analysis*, p. 29.

⁶⁴ Narrated Ma'mar b. Abi Ma'mar, one of the children of 'Adi b. Ka'b: The Messenger of Allah (ﷺ) as saying: “**No one withholds goods till their price rises but a sinner**”. I said to Sa'id (b. al-Musayyab): “**You withhold goods till their price rises**”. He said: “**Ma'mar used to withhold goods till their price rose...**” [Sunan Abi Dawood, Vol. IV, Hadith No. 3447]

5.2 Factors of Production and their Returns

Muhammad Bāqir As-Sadr (1935-1980) derives a theory of production from Islamic jurisprudential sources, aspects of which are relevant here. Basically, the theory puts man as the pivot of production activity. Man is not placed on the same status as the various factors he combines to produce. He is an end in the production process, not a means⁶⁵. Factors of production are “servants of man for the accomplishment of the operation of production since the operation of the production is for the sake of man and as such the share of the producing man differs from the share of the material means on the theoretical basis”⁶⁶. This is corroborated by the ideals of justice, mentioned earlier, that make it a *moral duty* upon men to accord each other the value of humanness, and not treat each other as mere tools for private economic gains. As-Sadr highlights two general principles in developing his argument. First, if a man produces a commodity from a natural base material (resources without any specific right to ownership in their natural state) the commodity produced is the property of the person whose labor brought it into being; “labour-works in nature produce no effect or special right for a person until and unless the person himself performs the labour or spends directly his efforts in the work of cutting wood or grass or similar labour-works”⁶⁷. The producer still possesses the right of ownership even if he was employed to undertake the production by someone else (who himself cannot claim ownership of the base material). If other tools (belonging to persons other than the producer) were utilized in the production process, the producer is obliged to pay the owners of the tools a compensation for usage. Such compensations are not shares of ownership in the produced article because the tools (or their owners) are not entitled to any such shares; they are obligations due them for services they rendered. Consequently, any such compensation for usage will be meaningless if the tools belong to the producer himself. Second, if the base material upon which labor is exerted to produce a commodity is owned by the one who sanctions the production, then the commodity is the property of the owner of the base resource, and not the laborer. Thus, “when an individual acquires ownership of a material on the basis of labour and the basis continues in existence, it will not be permissible for another person to acquire a new ownership to the material even if he were to contribute to it a new value by his labour”⁶⁸. This principle simply upholds the rule of “constancy of ownership”; it is not a conferment upon capital the right to share in the commodity thereby produced. In other words, the produced commodity is still the base material “in a particular state of its transformation” and thus the property of its initial owner⁶⁹.

There is a separation between ownership of the commodity produced and its exchange value such that

*the material forces which contribute their share in the act of the production of a commodity always receive their reward – on the basis of this separation as his (man's) servants...and not in the produced commodity itself as included in the formation of its exchange-value.*⁷⁰

Ibn Khaldūn's (d. 1406) asserts that “the value of the resulting profit and acquired (capital) must (also) include the value of the labor by which it was obtained”⁷¹ since “gains and profits, in their entirety or for the most part, are value realized from human labor”⁷². Thus, broadly, two forms of compensation for the services of labor are recognized – compensation/rent (*‘ujrah*) and a share in profit/output. In the first mode,

⁶⁵ This concept is derived from the Qur'an principle, which makes everything on earth subservient to man: “**Do you not see that Allah has subjected to you whatever is on the earth and the ships which run through the sea by His command? And He restrains the sky from falling upon the earth, unless by His permission. Indeed Allah, to the people, is Kind and Merciful**” [Qur'an 22:65 (Saheeh International Translation, 2010)].

⁶⁶ As-Sadr, M.B. (1984). *Iqtisaduna (Our Economics)* (Vol. II (Part II)). (P.E. Trust, Trans.), p. 12.

⁶⁷ Ibid, p. 5.

⁶⁸ Ibid, p. 23

⁶⁹ Ibid, p. 29

⁷⁰ As-Sadr, M.B. (1984). *Iqtisaduna (Our Economics)* (Vol. II (Part II)). (P.E. Trust, Trans.), pp. 25-26.

⁷¹ Ibn Khaldūn, A.B. (1958). *The Muqaddimah* (Vol. II). (F. Rosenthal, Trans.), p. 313.

⁷² Ibid, pp. 312-14

labor enters into an agreement with the hirer to provide its service in return for a specified compensation (wage). The hirer/producer is obliged to pay the compensation, upon labor's fulfilment of its obligation, irrespective of whether the outcome of exchange is a gain or loss. Hence, this arrangement promises security of reward for the laborer in the rendering of labor services, though the reward may be relatively smaller and limited. The second mode of reward for labor is profit-sharing, in which the laborer agrees to take a percentage of the emergent profit in return for his/her labor service. Thus, the labor provider becomes a risk-sharing partner with the owner of the base property in the production. In the event of a loss, the base property owner bears it all; the laborer, on his part, gets nothing for the labor expended. Thus, while the laborer stands to gain relatively higher reward under this arrangement, he/she also stands to gain nothing for his/her effort in the event of a loss. *Mudārabah* is an example of this mode, defined as a "profit-sharing commercial partnership in which one partner supplies the capital and the other the time, skill and effort to invest it"⁷³. *Mudārabah*, perhaps, was the commonest non-agricultural capital-labor production arrangement in the entire history of Islamdom. It was the basic arrangement in international commercial trade, both in the early years of Islamdom (the prophetic era) and in later times (caliphal era).

Capital (at the enterprise/firm level) is defined as *any resource that is utilized by labor to produce a commodity or service*⁷⁴; this would include monetary holdings because "they represent enterprise's entitlement to a certain quantity of real goods, existing on the market, which will make up its fixed capital and circulating capital"⁷⁵. Thus, we have two categories of capital: physical (or fixed) capital – buildings, machinery, necessary tools, etc.; and liquid (monetary) capital. It is relevant to mention two important distinctions between these two forms of capital. First, physical capital itself goes through a production process, through which one thing is transformed into another; money holdings can only be used to either purchase physical capital, or pay for other services related to the production process (such as labor wages). Secondly, physical capital offers direct and immediate benefits (*assured and measurable*) to its user. The benefits of money holdings, on the other hand, do not derive from some labor embodied in them, for which compensation is justified; such benefits derive from the inherent feature of the money itself and thus cannot serve as basis for compensation to its original possessor. Given these differences, a pre-determined rent on *borrowed* tools utilized in the production process would be justified while rent on money would not. Shaykh Yusuf al-Qaradāwī buttresses this point with the assertion that:

*When the owner of an article lends it to another person and charges rent for the use of it, he is rightfully entitled to this rent in consideration of the fact that he prepared the article in question for the renter's use; as the article becomes worn out by usage and depreciates over time, the owner deserves compensation...The person who rents a house lives in it, thus receiving a direct benefit, while the man who rents a piece of machinery uses it and thus derives an immediate benefit.*⁷⁶

When physical capital belongs to the producer, charging rent on it would be meaningless; it forms part of his/her total capital, ownership and utilization of which entitles him/her to a profit. The proof of this is the *mudārabah* (partnership) and *muzara'ah* (share-cropping) arrangements which entitle the owner of capital only a share in profit based on a preexistent profit/loss sharing agreement. In the case of borrowed money holdings, the owner of capital is not entitled to rent on cash (interest). Such a rent falls under the prohibition of *ribā*, which according to majority, and most correct, opinion, includes all forms interest on capital⁷⁷; it

⁷³ Donaldson, W.J. (2000). *Sharecropping in the Yemen: A Study in Islamic Theory, Custom and Pragmatism*, p. 35.

⁷⁴ This definition follows Ibn Khaldun's analysis of the value of labor in the production process, which will be discussed in the next part of this section.

⁷⁵ Attributed to Fabra (1991) in Siddiqui, S.A. (1996), Factors of Production and Factor Returns Under Political Economy of Islam. *Journal of King Abdulaziz University: Islamic Economics*, 8, 3-28, p. 17.

⁷⁶ Al-Qaradawī, S.Y. (2001). *The Lawful and the Prohibited in Islam* (Second Ed.). (K. Hilbawi, M. Siddiqi, & S. Shukri, Trans.), pp. 280-81.

⁷⁷ See Ansari, M. F.-u.-R. (2008). *The Qur'anic Foundations and Structure of Muslim Society* (Fourth ed., Vol II (Book III)), p. 73.

“makes no distinction between usury and interest, between its simple and compound forms, between productive and unproductive loans, or for that matter between money and commodity borrowings”⁷⁸. Further, “[it] makes no difference whether the rate of return is small or big, or a fixed or variable per cent of the principal, or an absolute amount to be paid in advance or on maturity, or a gift or service to be received as a condition for the loan [or credit]”⁷⁹. Commercial capital (cash) differs from physical assets/tools on the bases of the distinctions mentioned earlier. Thus, borrowed money holding enters the process as either a partner (*mudārabah*) or a goodly loan (*Qard Hasan*) – interest-free loan.

The abovementioned modes of compensation for capital and labor are based on the principle that acquisition of gain must be founded on labor expended in an activity. The laborer is entitled to a compensation for the labor he applies directly in the production process. The owners of tools utilized in the production process are entitled to recompense because their tools embody some previously expended labor (that prepared them for use), which become utilized in the course of the production. The difference between the two is that the laborer of the tools is paid for the utilization of its previously expended labor while the laborer in the production is paid for the direct utilization of his labor. It follows, as an auxiliary principle, that a person is not permitted to make a gain by selling a previously acquired material for a higher price unless he improves it through some labor expended on it.

5.3 Profit/Surplus

The difference between the *basic price* and the *prevailing price* is the *profit/surplus* to the seller/producer per unit of the commodity. The *Basic Price* is the summation of all rents paid, as well as other expenses incurred, in the production of a unit of the commodity. Where the provider of labor agrees to a pre-determined wage, the wage also forms part of this price. The *Prevailing Price* derives from existing market conditions; it is the actual rate at which the commodity is traded in the market. Its change is determined by factors that affect the availability of the commodity vis-à-vis its demand. This implies that the *Prevailing Price* could be greater than, less than, or equal to the *Basic Price*. A *surplus (profit)* emerges when the *Prevailing Price* is higher than the *Basic Price*, a loss occurs when the reverse is true. The higher the difference between the prevailing price and the basic price, the larger the per unit profit a tradesman makes. If the production/exchange was organized as a form of partnership between primary capital and labor, this profit will be shared between them on a pre-agreed term. A loss will be borne by the owner of capital while the provider of labor earns nothing for his/her labor services.

The *Prevailing Price* (and profit for that matter) is outside the control of any single market agent under normal market conditions⁸⁰. It is the price concordant with the will of God, and this equitably serves the interests of the interacting parties within the market⁸¹. This is the meaning of Abu Yusuf’s (d. 798) comment that “[there] is no definite limit of cheapness and expensiveness that can be ascertained” and that “[prices] are subject to command and decision of Allah”⁸². Tradesmen must not seek to widen the gap between the two prices (and make larger profits) through immoral means – dishonesty, profiteering, etc. When such acts are suspected, state authority has the duty to intervene in order to protect the consuming public. The hadith of the Prophet’s refusal to fix prices also points to the fact that there is no defined limit for market (prevailing) price, and for that matter profit, as long as the functioning of the market is not unduly tempered with, and this point has been alluded to by a number of scholars.

⁷⁸ Hasan, Z. (1983). Theory of Profit: The Islamic Viewpoint. *Journal of Research in Islamic Economics*, 1(1), 3-14, p. 9.

⁷⁹ Chapra U. (2006). The Nature of Riba in Islam. *Journal of Islamic Economics and Finance*, 2(1), 7-25, p. 3.

⁸⁰ See the hadith referenced in footnote 59.

⁸¹ Essid, Y. (1987). Islamic Economic Thought. In S.T. Lowry (Ed.), *Pre-Classical Economic Thought From the Greeks to the Scottish Enlightenment* (pp. 77-102)

⁸² Islahi, A.A. (2005), *Contributions of Muslim Scholars to Economic Thought and Analysis*, p. 28.

6. PRICE CONTROL (*TAS'IR*) IN ISLAMIC LAW

On the basis of the aforementioned hadith, in which Prophet Muhammad refused to fix prices and associated doing so with injustice, majority of the scholars of Islamic jurisprudence hold the opinion that price control (known as *tas'ir* in jurisprudential texts) is, in principle, not permissible⁸³; that is, market price should not be authoritatively imposed upon market participants. However, it is also widely held that the Prophet's response to the request (of price imposition) would have been different if there was suspicion of artificial inducement of the prices through deliberate immoral market behaviors. Ibn Taymiyyah (d. 1328), for instance, suggests that the event "was a special case and not a general ruling" and that the report did not mention that "someone had refrained from selling [i.e. hoarding] or doing something which was obligatory, or charged more than the compensation of the equivalent (*'iwad al-mithl*)"⁸⁴. Based on this general presumption, majority of the scholars also make price control permissible under circumstances that violate the fair conditions of the market.

The Mālikī and Hanafī schools of Islamic jurisprudence consider it permissible for the state to intervene when market conditions demand for it⁸⁵. Imam Abū Hanīfah, for instance, is reported to have stated that "[the state] should not interfere except in a condition where welfare of the people demands it"⁸⁶, while Imam Mālik "is reported to have approved of *tas'ir* only if there are excessive price hikes in necessities or if such a rise is seen as imminent"⁸⁷. The followers of Imam Shafī'ī and Imam Ibn Hanbal, on the other hand, oppose price control, and insist on a literal interpretation of the pivotal prophetic tradition of the Prophet's refusal to fix prices. Ibn Qudāmah al-Maqdisī (d. 1223), a Hanbalī jurist, insists that "the Prophet did not control prices despite people's pressure on him" and that "the Prophet equated price control with injustice (*zulm*) and injustice is forbidden"⁸⁸. This summarizes the position of this second group on the issue, though Imam ash-Shafī'ī makes a concession for price control when the poor are threatened by hunger due to exorbitant prices⁸⁹. Ibn Taymiyyah (d. 1328) also recommends price control when doing so "facilitates the administration of justice among people; i.e. when traders are forced to sell the commodity which they are obliged (by law) to sell at the market price, or they are being prevented from undue profiteering"⁹⁰. This, generally, is also the view of his student Imam Ibn al-Qayyim al-Jawziyya (d. 1350). Ibn Taymiyyah (d. 1328) further suggests that emergency situations, such as famine, also call for price control, so that when a person possesses "surplus food and people are faced with starvation, he will be forced to sell at a just price"⁹¹. Thus, it appears that the norm is to allow the market to function without any interference. When undue influence is placed on the balance of the market, thereby threatening public interest, the state is permitted (and sometimes obliged) to intervene in order to bring market conditions back to normalcy. How, then, does the state ensure this is done without violating the principles of justice?

Justice in price control implies upholding the fair interests of both the public (buyers) and the suppliers. Thus, Ibn al-Qayyim al-Jawziyya (d. 1350) implores the authority to not ignore the cost and profit considerations of the producer/supplier⁹². The producer is entitled to earn a fair reward for his/her exertions in a legitimate economic endeavor. Thus, some scholars propose a consultative approach, whereby "the big

⁸³ Oran, A.F. (2010). An Islamic Socio-Economic Public Interest Theory of Market Regulation. *Review of Islamic Economics*, 14(1), 125-146, p. 134.

⁸⁴ Islahi, A.A. (1988). *Economic Concepts of Ibn Taymiyyah*, p. 96.

⁸⁵ Bashar, M.L. (1997). Price Control in an Islamic Economy. *JKAU: Islamic Economics*, 9, 29-52, p. 33.

⁸⁶ Ibid, p. 33

⁸⁷ Kamali, M.H. (1994). *Tas'ir* (Price Control) in Islamic Law. *The American Journal of Islamic Social Sciences*, 11(1), 25-37, p. 29.

⁸⁸ Bashar, M.L. (1997). Price Control in an Islamic Economy. *JKAU: Islamic Economics*, 9, 29-52, p. 32.

⁸⁹ Kamali, M.H. (1994). *Tas'ir* (Price Control) in Islamic Law. *The American Journal of Islamic Social Sciences*, 11(1), 25-37.

⁹⁰ Bashar, M.L. (1997). Price Control in an Islamic Economy. *JKAU: Islamic Economics*, 9, 29-52, p. 33.

⁹¹ Islahi, A.A. (1988). *Economic Concepts of Ibn Taymiyyah*, p. 98.

⁹² Ghazanfar, S.M., & Islahi, A.A. (2003). Explorations in Medieval Arab-Islamic Economic Thought: Some Aspects of Ibn Al-Qayyim's Economics (AH 691-751/1292-1350 AD). In S.M. Ghazanfar (Ed.), *Medieval Islamic Economic Thought: Filling the "Great Gap" in European Economics* (pp. 128-141).

traders, buyers and other experts” are summoned for price negotiations. Such a method is useful for understanding the cost structure of the producers, as well as the real plight of the buyers, so that a satisfactory outcome is attained. According to Abul Walid Baji (d. 1081), the Mālikī scholar, this approach will ensure that “the traders are guaranteed as much profit as is necessary for carrying out their business and will not burden people”⁹³. This is one of the functions that the determination of the *Basic Price* performs, i.e., serving as a benchmark for determining the right price when control becomes necessary. In the history of Islamdom, both opinions on price control have been applied in different times, and under different caliphal authorities, though the Shafī’ī-Hanbalī opinion has been the more pervasive.

The function of market supervision, generally, was performed through *al-Hisbah*⁹⁴. This name was accorded to market supervision in the era of the ‘Abbasids (with the officeholder known as “*al-Muhtasib*”⁹⁵), though the idea, itself, dates back to the era of Prophet Muhammad, who is said to have appointed ‘Umar Ibn al-Khattab and Sa’ad Ibn Al A’as Umayyah to oversee markets in al-Madinah and Makkah respectively⁹⁶. Further, al-Ghazālī (d. 1111) suggests that ‘Ali Ibn Abī Tālib “used to roam in the bazar of Kūfa”, presumably during his term as the fourth caliph of Islamdom⁹⁷, to check the pricing activities of merchants and would reprimand culprits for their wrongdoings⁹⁸. Islamdom, between the assassination of the third caliph⁹⁹ and the enthronement of the ‘Abbāsids, was largely plagued with political turmoil. However, sometime after the rise of the ‘Abbāsids to the caliphate, Islamdom experienced a period of relative peace, which allowed the economy to flourish, with international commerce playing an important role. Though some market supervision existed before this era of economic prosperity, as mentioned earlier, it is recorded that the ‘Abbasids, especially, intensified the supervision of the market through the *hisbah*, and supported it with the moral police [*Shurtah*] in the wake of the growth in commerce and general economic activities¹⁰⁰. Later, when the Saljūks ascended the throne of leadership in the 11th century, following the erosion of the ‘Abbasids’ authority, Nizām al-Mulk¹⁰¹ recommended a continuation of the *hisbah* tradition. He asserted that if the office was not strengthened by the rulers, “the poor would be in trouble and the people of the bazaar would buy and sell as they liked, middlemen...would become dominant, corruption open, and the [*Sharī’ah*] without prestige”¹⁰²; the sultans responded positively to his recommendation and supported the functioning of the *hisbah*. However, the office became known as *ihtisāb* in Saljūk-dominated territories. The new name continued to be used under the Ottoman caliphate, while the *muhtasib* became known as *ihtisāb aghasi* (or *emini*).

Generally, the ‘Abbāsīd authority is said to have avoided price fixation in its market regulatory activities. The *muhtasib* “saw it as a duty to prevent price controls by ensuring that merchants and traders avoided arbitrary price changes in essential commodities”¹⁰³. Available record does not also point to any

⁹³ Bashar, M.L. (1997). Price Control in an Islamic Economy. *JKAU: Islamic Economics*, 9, 29-52, p. 34.

⁹⁴ *Hisbah*, in the general sense, is a Qur’anic concept of enjoining good and forbidding evil: “**And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be the successful**” [Qur’an 3:104 (Saheeh International Translation, 2010)].

⁹⁵ The officeholder was known as *sahib al-sūq* prior to the ‘Abbasids.

⁹⁶ Rashid, S.K. (2008). Peculiarities and Religious Underlining of ADR in Islamic Law. *Mediation in Asia Pacific: Constraints and Challenges* [Conference]. Kuala Lumpur.

⁹⁷ Shortly after his enthronement as the fourth caliph of Islamdom, ‘Ali Ibn Abi Talib moved administrative activities away from al-Madīna to Kūfa, thus effectively making Kūfa the new capital of Islamdom. Central administrative activities never returned to Arabia afterwards.

⁹⁸ Al-Ghazālī, A.M. (1993). *Ihya Ulum-Id-Din (Revival of Religious Learnings)*, (Vol. II). (Fazl-ul-Karim, Trans.), p.55.

⁹⁹ ‘Uthmān Ibn Affān was the third caliph, following Abu Bakr (first) and ‘Umar Ibn al-Khattab (second).

¹⁰⁰ Oran, A.F., & Khaznehkatbi, G., (2009), The Economic System Under the ‘Abbasid Dynasty. In M.N. Siddiqi (Ed.), *Encyclopaedia of Islamic Economics* (pp. 257-266)

¹⁰¹ Abu ‘Ali Hasan ibn ‘Ali ibn Ishaq al-Tusi (1018/9-1092) [Nizām al-Mulk] became an influential policy advisor to the Saljūk Sultans when ascended power.

¹⁰² Lewis, B., Menage, V.L., Pellat, C., & Schacht, J. (Eds.) (1986), *The Encyclopaedia of Islam* (Vol. III), p. 490

¹⁰³ Kamali, M.H. (1994). Tas’ir (Price Control) in Islamic Law. *The American Journal of Islamic Social Sciences*, 11(1), 25-37, p. 29.

government in historical Islamdom as having, on a deliberate and consistent basis, applied price fixation in the markets, thus leading to the conclusion, by Lewis, et al. (1986), that the *muhtasib* “*did not normally have power to fix them [i.e., prices]*”, and would punish merchants “whose prices were higher than the accepted rate [i.e. the prevailing price]”¹⁰⁴. The reason for this could be ideological or, perhaps, simply the absence of conditions that necessitated such an intervention. The case of Mamlūk-Egypt, however, is an exception. Between the fifteen and sixteenth centuries, Egyptian districts experienced high and volatile food prices, with intermittent scarcity of bread causing mayhem¹⁰⁵. However, in spite of the intermittent food shortages, high prices, and the general hardships these brought upon the poor, price fixation was not one of the measures the state adopted. One of the reasons (for the volatile and high food prices) was that the sultan and other senior state officials, who, themselves, engaged in the trading of grains, used their position of power to create monopoly in the grain market. In 1431, for instance, “a decree was issued to buy all the yields from all areas of Egypt for the sultan due to its cheap prices, and that for the purpose of storing those yields until the prices go up so that they can be traded”¹⁰⁶. Such a violation of the Islamic moral code would have been difficult to check by the *muhtasib* even if he/she was willing to do so, especially since it originated from members of the political elite. Thus, the office of the *hisbah* was, perhaps, incapacitated to deal with such issues in Mamlūk-Egypt.

The Ottoman era represents a general exception to the history of market regulation in Islamdom; a deliberate policy known as *nerkh* was institutionalized to regulate the market, and among its functions was the fixing of prices for necessities. Under this system, prices were determined by a committee that included the leadership of guilds, experts, and state officers in charge of market activities¹⁰⁷. Pricing took great consideration for cost of production and reasonable profit margins for suppliers. Consequently, the “[nerkh] prices were flexible vis-à-vis genuine changes in supply conditions”¹⁰⁸. Other aspects of the system ensured a relatively even distribution of merchandise by transferring traders to markets in need¹⁰⁹. Also, “[price] discrepancy was allowed over certain markets in different locations” to ensure that “flow of goods, especially foodstuff, from countryside to the cities did not cease”¹¹⁰. Such market interventions, according to researchers, were in response to the potential challenges that accompanied the structure of the Ottoman market¹¹¹. As an economy with the features of a traditional society, insufficiency in production could easily have resulted in higher prices while excessive production could cause prices to plummet; this regulatory system was thus “in the interest of both consumer and producer”¹¹². Besides, the agricultural supplies were, generally, volatile, while the anticipated increased demand in the month of Ramadan resulted in advanced seasonal adjustments¹¹³.

7. CONCLUSION

This study was an attempt to explain the Islamic market doctrine within a functional framework. Islamic Law (*Shari’ah*) seeks the promotion and advancement of public good, and each aspect of the law plays its role in achieving this end. Imperative to the achievement of public good is the establishment of

¹⁰⁴ Lewis, B., Menage, V.L., Pellat, C., & Schacht, J. (Eds.) (1986), *The Encyclopaedia of Islam* (Vol. III), p. 488

¹⁰⁵ Alazzam, I.M. (2014). Factors Influencing the Phenomenon of Rising Grain and Foodstuffs Prices in Egypt during the Circassian Mamluks Era (784 AH/1382 AD – 923 AH/1517 AD). *Asian Culture and History*, 6(1), 53-63.

¹⁰⁶ Ibid, p. 56

¹⁰⁷ Oğuz, O., & Tabakoğlu, A. (1991). An Historical Approach to Islamic Pricing Policy: A Research on the Ottoman Price System and its Application. *JKAU: Islamic Econ.*, 3, 63-79.

¹⁰⁸ Ibid, p. 71

¹⁰⁹ ibid

¹¹⁰ Ibid, p. 71

¹¹¹ ibid

¹¹² İnalcık, H. (1994). *An Economic and Social History of the Ottoman Empire Volume I: 1300-1600*. (H. İnalcık & D. Quataert, Eds.), p. 53.

¹¹³ Oğuz, O., & Tabakoğlu, A. (1991). An Historical Approach to Islamic Pricing Policy: A Research on the Ottoman Price System and its Application. *JKAU: Islamic Econ.*, 3, 63-79.

justice at all levels, and in all aspects, of society. In light of this, the *Sharī'ah* sets up its economic institution in such a way that ensures the fulfilment of its role in the advancement of public good. Thus, the Islamic economic doctrine is oriented towards establishing a society that promotes the overall economic well-being of its members by ensuring the right to private property and fair opportunities for economic gains, curbing exploitative tendencies of economic agents towards one another, and other measures like these that are consistent with the value system of Islam. Consequently, the market structure is set up, ideally, to provide for the exchange needs of society in an equitable manner, to provide fair opportunity for private gains through exchange, and to ensure justice and fairness in all exchange dealings. Individual interests are important in this, but their advancement must not put public welfare in danger.

The Islamic market, thus, upholds freedom of the individual to engage in trade and earn fair rewards, and the freedom of the market itself to function without undue external influence. Normal market conditions, of scarcity and abundance, interact to bring about the prevailing price, which in turn determines the profit on the exchange of a commodity. Such a price is outside the control of any individual market participant, and is seen, philosophically, as harmonious with the will of God. The freedom accorded to individual members of society, on market participation, however, is not absolute; it requires that market behaviors are harmonious with Islamic ethics. This implies that individuals must refrain from dealing in things that are, in themselves, prohibited for public consumption in Islamic Law (such as alcohol, pork, etc.). It also implies that individuals refrain from self-centered behaviors that put the welfare of society into jeopardy; behaviors that are exploitative in nature, and are intended to create advantages for individuals to the detriment of the larger society.

The state has a duty to establish a market that fulfils the abovementioned ideals. Its duty also extends to overseeing market behaviors to ensure conformity with Islamic ethics. This implies two things. First, it must neither impede individual freedom nor interfere with the normal conditions of the market when there is no reason to do so. Second, it must ensure that market participants do not unduly interfere with the normal working of the market through self-centered behaviors. In the event of such unethical behaviors, the public authority must act to restore the market to its goal-fulfilling path. On price control as a corrective measure, there are two basic juristic opinions. The first (Hanafī-Mālikī) opinion grants the state a right to fix prices of commodities in the interests of both the public and market suppliers; the second (Shafī'ī-Hanbalī) opinion suggests otherwise. Both positions are practically represented in the annals of market supervision in historical Islamdom. Where the state opts for price fixation, it is required to act in accordance with the principle of just valuation; it is required to take the interest of the merchant into consideration so as to produce outcomes that are fair from the merchant's perspective. Both the rule and the exception are concordant with the Qur'anic injunction: "*O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent*"¹¹⁴.

¹¹⁴ Qur'an 4:29 (Saheeh International Translation, 2010)

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AN CRITICISM OF WESTERN CIVILIZATION COMPARING WITH ISLAMIC CIVILIZATION BY REFERENCE TO ECONOMICAL PHILOSOPHY

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Western Civilization surrounded all parts of our life in sense of technology as well as daily life. This hegemony of Western Civilization based on some principles. In this presentation, firstly we would like to point out these reasons and elements provided domination of the Western Civilization. First, geographical location of Western Continent made it to improve and spread in respect of restricted area, rich mountains, lots of rivers and crowded population. The second reason of Western progress is due to of political system based on freedom and fundamental rights. The third one is to give significance to science and education concluding to exploration and production. The fourth reason is free market system which encourage individual enterprises. Those principals made easy hegemony of Western Civilization by means of colonization. On the other side, there are certain points which make demolition of Western Civilization. Firstly, western civilization is based on consumption and enjoyment satisfying egos but neglecting virtues of mankind. Second element is that economical system is predominantly based on banks which means interest. Bank system make gap among poor and rich in respect of distributions of incomes which cause envy and hostility of ordinary public to elite rich ones. Comparing of Western Civilization Islam is based on the personnel working (sa'y) but not neglecting poor by giving importance charity like zakath and sadaka by accepting private property which is suitable to human nature. In addition to obligatory zakath system Islam prohibited interest system which provided exploration of poor workings and allowed investment and employment. Moreover, iktisad that's contentment is one of the Islamic value which also means to thanks to Almighty Allah by understanding real Owner of every things. To sum up instead of Huntington theory of collapse of civilization, hopefully mankind attains peace and virtue by caring Islamic Civilization.

*Title: Enhancing Cooperation among Islamic Countries.
Mansour Elh Amani*

Abstract:

As a complete way of life, Islam provides rules and guidelines for all spheres of life in society .A functioning economic system is vital to the health of a society, as consumption of goods and services and its facilitation through ac ommon means of Exchange play a majör role in helping people achieve their goals. The Islamic economic system is based on two fundamental sources; the Quran and Sunnah. We will see some cases and examples about the system, its forces and weakness in some Arab countries such as Qatar and KSA and also a country (Niger) who's Islam has become a force so important that invades all the spheres of socio-political activities but why not economic and financial too?

The basic questions about unlimited supply of people in a society will be met with Limited resources are solved within the framework of the economic system applied in This society. There are three main systems at the theoretical level. These are Capitalist system and socialist system. It can be said of the mixed economic system Which is mixture of capitalist and socialist systems.

The free trade can be considered as a pillar of the capitalist system in which one of The policies is to eliminated is crimination in the imports and exports among nations. This led some countries to build common systems in economic views and objectives Such as D8 and OIC affiliated organizations forMuslim states economy.

There is a big inequality of economic share (GDP,PPP,percapita...) among Muslim nations, let's see how cooperation through out organizations can contribute for its development and economic values share.

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Islamic Financial Cooperatives, An inclusive model to Meet the Needs of the Community

Mamode Raffick Nabee Mohomed

ABSTRACT

Islam is a practical way of life for humanity with its own systems in every aspect: spiritual, cultural, social, political and economic. In the economic sphere, Muslim societies around the globe have inherited mostly interest-based feudal, capitalist or socialist economic systems. As there was no working model, Muslim economists and scholars made considerable efforts to develop their own Shari'ah-compliant economic model and financial institutions. The Islamic finance industry evolved with Islamic banking and Sukuk as its dominant sectors and has not yet fully achieved its community outreach objectives. It has not fully integrated the economic and social concerns of the community. The present models of Islamic banking and financial institutions are questioned about their contribution in achieving the objectives of Islamic economics alongside a healthy and growth-oriented economy where the necessities of life and spiritual peace are available to society at large. Islamic Financial Cooperatives as an inclusive model can fulfill the needs of all strata of the society. The purpose of this paper is to propose an alternative mechanism of Islamic finance in the form of an inclusive community-based Islamic financial institution (Islamic credit union/Islamic financial cooperative) based on cooperative and Islamic financial principles. Such a model that has so far received sporadic attention in the market can also contribute to the democratization of the Islamic financial system. It can be implemented in both Muslim-majority and Muslim-minority countries. The paper also presents the status of Islamic financial cooperative worldwide and discusses the legal and operational framework and opportunities of the Islamic financial cooperatives model with reference to Al Barakah Multi-purpose Co-operative Society Limited (ABMCSL), operating since twenty years in Mauritius. Products that can be offered by Islamic financial cooperatives, but not limited to, are interest-free loan (Qard), Service Ijarah, Murabahah, Hajj Savings Account, Takaful Fund. The Islamic financial cooperative can play an effective role in the life of the community by providing access to Shari'ah-compliant financial services particularly to the underprivileged and unbankable and promote economic freedom. It can better support Small, Medium and Micro Enterprise sectors and engage in Mudarabah and Musharakah with members of the institution. Setting up Islamic financial cooperatives will assist to build up a robust community-based Islamic financial institution, spread ownership of business and reduce concentration of wealth.

Keywords: Islamic financial cooperative, inclusive model, opportunities

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Ten Institutional Values for Socio-Economic Development: Preached in the Muslim World, Practiced in the West

Abstract

The paper explores ten formal and informal institutional values (liberty, critical thinking, justice, rule of law, equality, participatory culture, accountability, competence, punctuality, and plurality) behind the success of the West and the failure of the Muslim world in last few centuries. It claims that those values were part of social fabric during the Golden Ages of Islam. Muslims still preach those values but fail to practice them. On the other hand, since the Enlightenment, the West has largely embraced those values which support fertile environment for social and economic development. The paper presents evidence for the existence of those values in the Islamic teaching while their absence in the life of Muslims in modern times. The paper concludes with developmental policy recommendations for the Muslim countries based on internalized institutional values.

1. Introduction

What is the secret of socio-economic development in the West and failure in the Muslim world for the last few centuries? Increasing greater number developmental economists think that the answer lies in formal and informal institutions. A relatively new field of new institutional economics (NIE) considers institutions as black box which could explain the success and failure of nations in the long-run. Indeed, NIE resembles institutions to the rules of game in the market economy toward higher efficiency and productivity. In North's terms, the core issue of economic development is "to account for evolution of political and economic institutions that create an economic environment that induces increasing productivity" (North 1991, p.98). That is because institutions set incentives for better economic performance. In this paper, we will explore the role of certain institutions to explain why the Muslim world has been lagging behind the West in socio-economic development for long time. First, we will provide historical overview of the Golden Ages of Islam. Second, we will discuss how the Sun sat in the East and rose from the West. Third, we will particularly explore the roles of ten internalized institutional values for the Western success in the last few centuries. Fourth, we will present evidence that those values do exist in Islamic

teaching, but absence in the life of Muslims. Fifth, we will derive learned lessons of institutional approach to recommend transformation policy implications for the socio-economic development of Muslim societies.

2. The Sun Rises from the East and Moves to the West

The scientific revolution began in the Muslim world during the Golden Ages lasted from eight to almost thirteen centuries (George, 1998). The Muslim world was thriving while the West was experiencing its darkest ages. Increasingly more scholars in the West are now acknowledging the role of Muslims in science and technology (Collins & Huff, 1994; Kaviani et al., 2012; West, 2008). They agree that the torch was received from the Muslims. National Geographic published a book documenting 1001 inventions of Muslim scientists (Al-Hassani, 2012). What was the secret of success for the Muslims in the Golden Ages and for the West since the industrial revolution? Why are we lagging behind the West in socio-economic development for last few centuries? Many have explored answers to those questions. In this section, we are going to discuss an answer from new institutional economics perspective in the light of writings of Turkish scholar Said Nursi.

Ironically, in 1911, exactly 100 years before the ongoing civil war began in Syria, Said Nursi delivered the famous Damascus Sermon at the Umayyad Mosque in Damascus. The mosque was overflowing with over 10,000 people including many great scholars of that time. The sermon is still being printed and discussed by many. Indeed, there was a major conference organized to discuss this sermon just few years ago¹¹⁵. In the sermon, Nursi was asking the following question: why are non-believers who have abandoned God and religious principles progressing so rapidly in material development, while Muslims are living the Middle ages when comes to socio-economic and scientific development?

Interestingly, in his response to the question above, Nursi was not going to blame external enemies or internal collaborators. He was going to mention much deeper cultural and moral values holding the Muslim world behind the West:

¹¹⁵ “International Symposium on Hutbe-İ Şamiye, “The Muslim World and Global Peace” was organized by Mardin Artuklu University, Risale Academy, Foundation of Science and Culture and Akademik Researchs Foundation between 12 to 14 April 2013

"In the conditions of the present time in these lands, I have learnt a lesson in the school of mankind's social life and I have realized that what has allowed Europeans to fly towards the future on progress while it arrested us and kept us, in respect of material development, in the Middle Ages are six dire sicknesses. The sicknesses are these:

"Firstly, the coming to life and rise of despair and hopelessness in social life. Secondly, the death of truthfulness in social and political life. Thirdly, love of enmity. Fourthly, not knowing the luminous bonds that bind the believers to one another. Fifthly, despotism, which spreads like various contagious diseases. And sixthly, restricting endeavor to what is personally beneficial" (Nursi, *Hutbe-i Samiye*, pp.16-17).

Basically, Nursi argues that we shall cure those six diseases through six needed values. First, we need implant hope and self-confidence in the heart of individuals in order to help them utilize their potential. Second, we need to be honest in our social and economic relationship to lower transaction cost and increase better collaboration for higher productivity. Third, we need to overcome enmity through developing peace and trust in our society. Fourth, we need to find a way to establish collaboration at corporate, national, and international levels particularly among Muslims. Fifth, we need eliminate despotism at every levels and bring perfect freedom to allow people advance toward moral, social, and economic excellence. Sixth, we need to develop bigger vision going beyond ourselves thinking about our nations, ummah, and entire humanity.

Unlike many scholars of his time and even our time, Nursi was not referring to the Western hegemony and exploitation among the key factors causing the decline of the Muslim world. He was not naïve. He was aware of the exploitation by the Western powers and their domestic collaborators. Indeed, Nursi explicitly refers to the exploitation of Muslims at the hands of "atrocious Europeans" and their "collaborating domestics hypocrites": "do you not see that nothing apart from the most basic subsistence is left in the hands of Muslims? The rest is either stolen or seized by the European atheist tyrants or the dissemblers of Asia" (Nursi, *the Flashes*, 17th flash, p.169).

However, despite his awareness of external exploitation, Nursi believes that the root cause of the problem is internal. The six dire diseases he mentions are all informal institutional values which determine long-term socio-economic development. Nursi believes that what made Muslims to have Golden Ages was certain formal and informal values. "Unfortunately, non-Muslims took our good things, they also took our good moral values. It is as if some of our good social moral values

run away from us because we did not like them. And some bad moral values of non-Muslims were not in high demand among them, and came to our market of ignorance” (Nursi, *Tarihce-I Hayat*, p.83).

Indeed, the Quran is very explicit in terms of how to bring positive change in a society. For each (such person) there are (angels) in succession, before and behind him: “...Verily never will Allah change the condition of a people until they change it themselves (with their own souls). ..” 13:11 (Y. Ali) In other words, the real change has to start within individuals as it was the case during the time of the Prophet and Golden Ages of Islam. The Islamic civilization reached its peak through creating fertile moral and social fabric for human excellence. For instance, during the Abbasid era, the Muslim society became the center of scientific development through the certain institutional values that attract great minds to flourish within tolerant, fair, and friendly environment. In recent years, many books have been written exploring the contributions of Muslims to science in the Golden Ages. In his bestseller book, *House of Wisdom* (2012), Jim Al-Khalili, who is a non-Muslim physics professor at Oxford University, provides convincing evidence revealing how certain values in the Muslim world were behind the scientific development in the Golden Ages. He acknowledges that many of the innovations that we think of as symbols of Western science were the product of Muslims works. “Astronomers laid the foundations for the heliocentric model of the solar system long before Copernicus; physicians accurately described blood circulation and the inner workings of the eye ages before Europeans solved those mysteries; physicists made discoveries that laid the foundation for Newton's theories of optics” (Al-Khalili, 2012). The West also got even certain economic instruments from the East. As clearly stated by North (1991), Europe borrowed necessary economic techniques and instruments including commercial contracts such as the commenda from Italian city-states, Muslims or Byzantium to lower transaction costs of economic exchange over long distances.

The sun set in the Muslim world and rose from the West almost five hundreds years ago. With the Enlightenment movement, the West overcame their dark ages and discovered certain values to create their own golden ages. With the Industrial Revolution, the West gained economic, military, and political power over the rest of the world. It has developed formal and formal institutions to create higher scientific and economic outcomes through relatively more efficient market economy. Indeed, many studies have documented the long-term higher economic development in the Western countries (Dougherty & Jorgenson, 1996; Mankiw, Romer, & Weil, 1992). While many

economists explain the higher economic development in the West through geography, political competition, trade, and institutions, we think it was all about discovery of the mind and establishment of needed formal and informal institutions.

We think the main secret of the Western success since the Enlightenment is the discovery of the mind. While the Dark Ages was the enemy to the mind and thinking, the Enlightenment thinkers consider the mind as the greatest treasure ever. Since then, the West has established educational, legal, political, and economic institutions to unearth the treasure of the mind. In other words, the West has gained its essential economic and technological power from mining the treasure of the mind through proper institutions. Indeed, science is built upon understanding that human mind is the most valuable treasure. While scientific works unearth the gold and diamonds of mind such as cars, computers, airplanes, etc., the competitive market system provides a good rewarding mechanism for the products of minds. The legal system assures the freedom to mining the minds. Modern medicine helps to maintain healthy body for healthy minds. Work ethics make people to do their best while mining and exchanging the products of minds. As a result, the gap between the West and the East has widened for several centuries. It is still growing because the East is not investing in minds as the West does. Indeed, according to recent data, the 57 countries in the Organization of the Islamic Conference spend only 0.81% of GDP on research and development, about a third of the world average. On the other hand, USA, which has the world's biggest science budget, spends 2.9% while Israel lavishes 4.4% (*The Economist*, 2013).

3. New Institutional Economics to Understand Socio-Economic Success and Failure

New institutional economics (NIE) considers formal and informal institutions as the key factor behind long-term economic development. Institutions are considered to be the rules of game while organizations are the players. Thus, institutions play significant role in the success of socio-economic organizations. In the last three decades, we have seen many studies within the NIE field which has produced few Nobel laureates such as Ronald Coase (1991 Nobel Prize winner), Douglas North (1993 Nobel Prize winner), and Oliver Williamson (2009 Nobel Prize winner). NIE argues that it is social, political, intellectual institutions and organizations shaping economic development, not the other way around as claimed by the Marxist ideology.

Interestingly, NIE echoes Said Nursi in its exploration of determining factors of long-term socio-economic development. It reveals the important role of cultural, educational, political values in economic development and growth. It pays great attention to rules of the game as well as the enforcement of them in the firm as an essential economic unit. It offers great analytical tool to explore the success and failure of nations throughout history. Indeed, following NIE approach, many empirical studies clearly indicate that formal and informal institutions are the most important factor behind the difference in income levels among the nations (Rodrik, Subramanian, & Trebbi, 2004). For instance, a study found out that it was good institutions that led to success for European settlers such as Canada and USA while it was bad institutions that led to failure for Mexico (Acemoglu, Johnson, & Robinson, 2009, 2001). The study concludes that Canada and USA had “inclusive institutions” providing relatively inclusive opportunities to everyone to make contributions and reap the benefits, while Mexico had “extractive institutions” limiting opportunities to selective minority.

We think the secret behind the success of the West and failure of the Muslim world is hidden within the first level which includes informal institutions. It is part of belief set shaping the mental modality of individuals. North is particularly fascinated with the role of religious belief in human belief systems in defining and shaping the reality around us (North, 2005). He argues that it is essential to understand belief system first to initiate the process for long-term economic changes. While conventional economics takes preferences as given and deal with revelation of preferences through behaviors, NIE attempts to unlock factors shaping preferences. It explores the role of cultural beliefs and values in making choices (Guiso et al., 2006).

We argue that the black box behind institutions is embedded internalized social and cultural values that shape mental models. We did make a strong case that the Western success of the East could be attributed to ten institutional values (Aydin, 2017). In the following section, we will compare the importance of those values in the West and Islam from both theoretical and practical perspectives.

4. Ten Institutional Values in the West and Muslim World

As well established by Adam Smith, conventional economics considers self-interest as the driving force (invisible hand) behind people’s choices. In other words, from conventional economic perspective, we all care about ourselves first and foremost. That is just our nature. As a

rational being, we compare cost and benefit of alternative options and decide on the one that gives us the highest benefit (or utility). Even though modern economics acknowledges the shortcoming of rational calculus, it still mostly relies on rational choice theory when analyzing human preferences. We argue that the Western people have internalized certain uplifting institutional values because they are convinced those values in their best interest in the long-run. Therefore, they are largely committed to those values in making their choices even if it has short-term high opportunity cost for them. Through their historical experience, educational, and cultural upbringing, they have realized that those values are the necessary foundation for successful formal and informal institutions and organizations, which will provide higher economic returns from economic transactions. In this section, we will discuss following ten internalized institutional values as the tenets of Western institutions: liberty, critical thinking, justice, rule of law, equality, participatory culture, accountability, competency, punctuality, and plurality.¹¹⁶

4.1. First Institutional Value: Liberty

The most important value among ten institutional values is liberty with all kinds including liberty of thought, liberty of speech, liberty of religion, economic liberty, political liberty, etc. The mind can work best once it is free from any kind of actual or potential coercion.

Economic literature is full of theoretical and empirical studies of exploring the relationship between liberty, economic growth, and economic development. Particularly, using various social, political, and economic freedom indices, economists are commonly examining the importance of liberty. Indeed, Nobel Laureate Amartya Sen (1999) considers development as freedom. He makes a compelling argument that millions of people living in the Third World are denied basic freedom because of economic poverty, social deficiency, and political oppressions. He argues that the ultimate purpose of development is to provide freedom for flourishing in life.

Liberty in the West

First, The Western Enlightenment movement was a war for liberty first. The war was waged against the religious establishments who were the enemies of liberty. Once the West won the war

¹¹⁶ For further discussion on the importance of those values in the long-term socio-economic development, please refer to the following article: Aydin (2017): "Institutional Values Needed for Transformative Socio-economic Development in the Muslim World" *Journal of King Abdulaziz University: Islamic Economics*

against religion, they soon realized that the liberty should be from religion and for religion. Thus, they engraved liberty including religious freedom into their formal and informal institutions. For Western individuals, liberty has become more important than almost anything. For instance, while in almost all developing countries, flag-burning is considered a form of treason, in USA, the Supreme Court has stated that that flag-burning is a form of expression that is protected by the First Amendment provisions for free speech.

We argue that through painful historical experience and very rich intellectual discourse on liberty with its all kinds, the Western society has realized liberty as the most important value. Of course, liberty has to be supplemented by proper institutions and organizations in order to breed success. Indeed, the success of USA lies in the formal and informal institutions established before and after the American Revolution (Hughes, 1989). Particularly, when we compare the historical progress of Latin American countries under the Spanish and Portuguese ruling, the role of institutions become quite evident. The centralized bureaucracy and strict religious intolerance were not friendly for developing required institutions, which lead to inefficient economic transactions in Latin American colonies.

Liberty in Islam

Liberty is very important from an Islamic perspective as well. However, freedom in Islam is significantly differs from its Western liberal understanding. While the latter defines freedom as choices without external pressure, the former considers freedom as choices without external and internal pressure including evil-commanding soul (nafsul ammarah) and Satan. In other words, Islamic liberty requires abolishment of every kinds of slavery including slavery to carnal soul. The Quran points to the danger of being slave of its desire in the following verse:

“Hast thou ever considered [the kind of man] who makes his own desires his deity? Couldst thou, then, [O Prophet,] be held responsible for him?” - 25:43 (**Asad**) -

Indeed, Nursi argues that true liberty is the function of belief in God. The stronger faith in God one has the stronger sense of liberty he will have. He will neither oppress others nor submit to them under pressure. He will submit to God only. “That is because the one who connects to God through belief will not bow down others for benefit nor will submit to force and oppression due to his dignity of faith. He will not also intervene in freedom and rights of others through force and oppression because of his compassion out of faith. Indeed, a servant of a king will not seek to be

servant of a shepherd. He will not also lower himself to oppress a desperate person. Thus, it means the stronger the faith the greater the liberty as it was in the era of the Prophet” (Nursi, Mūnazarat, p.23). According to Nursi, belief in God boosts the sense of freedom for two reasons: first, once a person believes in God as the sole sustainer of everything from moment to moment, he does not see any rational to be slave to others. Thus, a true believer will not bow down to anyone other than God who is the only real power behind everything. Second, a believer who knows God as All-Compassionate and All-Knowing, and All-Just, will treat others with compassion rather compulsion.

The importance of liberty comes from the anthropological understanding of human nature in Islam which considers free will as defining feature of humanness. The Divine Justice requires free will to hold individuals accountable for their choices. In the absence of free will, it is not fair held individuals accountable. Indeed, from an Islamic perspective, the degree of accountability comes with degree of freedom/ability to make choices. Even God does not intervene in the exercise of free will of individuals due to fairness and accountability principle.

Indeed, if there is free will, it is meaningless to expect genuine change through compulsion. It is eventually up to individual to freely accept or reject certain things. Thus, from an Islamic perspective, if we force individuals we can not convert them to Islam. We can only make them to be hypocrite that is much worse than being atheist in the eyes of God. The following verse clearly states that there shall be no compulsion in religion:

“Let there be no compulsion in religion: Truth stands out clear from Error: whoever rejects evil and believes in Allah hath grasped the most trustworthy hand-hold, that never breaks. And Allah heareth and knoweth all things. –“ 2:256 (Y. Ali)

Even when comes to the freedom of religion, the Kafirrun Surah which almost all Muslims can recite by heart clearly states that everyone is entitled to have their own way of belief:

Say : O ye that reject Faith!

I worship not that which ye worship,

Nor will ye worship that which I worship.

And I will not worship that which ye have been wont to worship,

Nor will ye worship that which I worship.

To you be your Way, and to me mine. - 109:1-6 (Y. Ali)

The Quran clearly states that believers have no responsibility beyond conveying the true message to non-believers through their words and actions:

“BUT IF they turn away [from thee, O Prophet, know that] We have not sent thee to be their keeper: thou art not bound to do more than deliver the message [entrusted to thee]. ... 42:48 (Asad)

Nursi argues that no one has any power to intervene in the heart of people other than God. Therefore, in his view, whoever claims to give guidance to others out of his efforts, is committing a form shirk (partnership with God). Thus, the responsibility of believers is limited to conveying the Divine message, but letting individuals to make their own decisions through Divine guidance. Nursi defines freedom as not being servant to anyone and anything other than God. Thus, in his views, authentic freedom is not to harm yourself and others. In his words, freedom is “no one shall force each others other than just and moral laws. The rights of everyone shall be protected. And everyone shall be perfectly free to live within just legal framework.” (Munazarat, p.1941)

Liberty in the Muslim World

Liberty is a major problem in the Muslim countries. The 2016 Freedom House report of country ranking based on political rights and civil liberty shows that overwhelming majority of Muslim countries is either partially free or not free at all. The problem is not about political system alone. It is a cultural issue. As Nursi points in his writings a century ago, oppression lives like a contagious disease in the Muslim world. At home, fathers mostly oppress family members. At school, students are silenced by teachers. At work, employees are shepherded by their managers. At state level, entire nations are controlled by state power. At media level, opponents are silenced by threat or bribes.

In most Muslim countries, people do not even think that they are entitled to have civil liberty. They consider state to be sacred rather than their civil rights. Muslim countries are doing quite bad in terms of religious freedom as well. In most countries, even all sects of Muslims are not free to exercise their religious rights despite the fact that the prophet did establish a religiously tolerant society in Madina where Muslims, Chritians, and Jews were able live side by side. Ironically, Muslims of various sects can freely exercise their religious rights in western countries more than most of Muslim countries.

Even though Nursi was known as a Muslim scholar, he looks like a freedom fighter when we explore his life and writings. He famously said that “I could live without bread, but not without

freedom”. In other words, he considers freedom is necessary as food for human to flourish. In another book, he resembles life without freedom body without soul. He argues that under oppressive government people could not develop themselves. He did not want to exchange his freedom with big reward offered by Mustafa Kemal. He was not scared to speak his minds even at the fear of being imprisoned. The Muslim world is still far away to come such appreciation of freedom.

4.2. Second Institutional Value: Critical Thinking

Once we establish liberty, critical thinking shall emerge as fruit of liberty of thought. Indeed, critical thinking is possible only if liberty of thought and speech is truly internalized and protected. We argue that critical thinking is very important factor given the West to gain power of the Rest. Critical thinking is absolute essential for economic development because if the mind is treasure as argued before, the best way to unearth this treasure is through critical thinking. Particularly, if we acknowledge the limitation of human mind; it is essential to engage in critical thinking to make sure we separate truth from falsehood.

Critical Thinking in the West

Since the Enlightenment, the West has realized the importance of critical thinking. Indeed, Immanuel Kant defines the very concept of enlightenment as “to dare to think”. We think internalizing critical thinking is different than promoting it without truly believing in. We argue that in the East, even when organizations are promoting critical thinking, individuals do not truly believe in the merit of critical thinking.

We argue that critical thinking has played crucial role in development of science and technology in the West. Indeed, Wuthnow states that the Western Europe did accomplish scientific revolution mainly due to scientific autonomy dating back to the sixteenth century. In his terms, “The importance of autonomy to engage in critical reflection, to advance and test its own paradigms, to allocate rewards on the basis of professionally evaluated performance, and to develop and maintain open internal communication has been emphasized as one of the conditions essential to the sustained development of modern science” (Wuthnow, 1979, p.217).

North argues that it is essential to know how minds perceive phenomenal reality based on different mental models. In his terms, we “immense variation in mental models and as a result different perceptions of the world and the way it “works”. ... individual make choices on the basis of their mental models.” (North 1993, p.2) The mental models help players to develop their perception of payoff and make their choices. We think it is essential to first build intellectual capacity to understand the payoff of certain values leading to efficient institutions and organizations. The West did develop such mental models mostly through intellectual discourse and critical thinking. The Enlightenment movement in the West did help greatly in terms of nurturing thinking in general and critical thinking in particular.

Critical thinking also mediates between education and economic growth. Economics put great importance on education. Remarkably, there have been many studies on the impact of education on economic development since the creation of endogenous growth theories in the 1980s. For instance, Romer (1986; 1987; 1989), Lucas (1988) and Robelo (1991) provide empirical evidence showing education being at the main driving force for economic growth. Therefore, many policy makers in developing countries consider the investment in education as game changer particularly in the long run. Even though investment in education might be necessary, it seems like it is not sufficient for an economic revolution as seen in many third world countries and the Eastern European economies. That might be due to the lack of critical thinking in education.

Critical Thinking in Islam

Critical thinking is an outcome of freedom of thought. As Islam values freedom, it also gives great importance to critical thinking. As Jeffrey Lang points to in a book titled “Even Angels Ask”, the Quran presents many examples of critical thinking and questioning. When God mentioned His human project to angels, they raised the following question: “Wilt Thou place therein one who will make mischief therein and shed blood?- whilst we do celebrate Thy praises and glorify Thy holy (name)?” (The Quran, 2:30 (Y. Ali))

God repeatedly calls people to reflect on the verses of the Quran:

This is a Scripture that We have revealed unto thee, full of blessing, that they may ponder its revelations, and that men of understanding may reflect. - 38:29 (Picktall) Will they then not meditate on the Qur'an, or are there locks on the hearts? - 47:24 (Picktall)

O FOLLOWERS of earlier revelation! Why do you argue about Abraham, [51] seeing that the Torah and the Gospel were not revealed till [long] after him? Will you not, then, use your reason?
- 3:65(Asad)

.... We have indeed made the signs [thereof] clear unto you, if you would but use your reason.
- 3:118 (Asad)

The Quran also invites people to reflect on the verses (signs) of the book of the universe:

It is God who has raised the heavens without any supports that you could see, and is established on the throne of His almightiness; [4] and He [it is who] has made the sun and the moon subservient [to His laws], each running its course for a term set [by Him]. [5] He governs all that exists. Clearly does He spell out these messages, so that you might be certain in your innermost that you are destined to meet your Sustainer [on Judgment Day]. [6]

And it is He who has spread the earth wide and placed on it firm mountains and running waters, and created thereon two sexes of every [kind of] plant; [7] [and it is He who] causes the night to cover the day. Verily, in all this there are messages indeed for people who think! – (The Quran, 13:2-3) (Asad)

The importance of critical thinking comes from the understanding of human nature from an Islamic perspective which considers nafsul ammarah (evil commanding soul) along evil whispering Satan as important elements of human nature (fitrah). Therefore, it is essential to engage in critical thinking to sort out tricks of nafs and Satan from within or others. The Quran invites individuals to see their faults rather than considering themselves being pure:

Therefore ascribe not purity unto yourselves. He is best aware of him who wardeth off (evil).
- 53:32 (Picktall)

The Quran conveys the story of Prophet Yusuf when he was being tested with Zuleiha. Even though the Prophet Yusuf did not do anything wrong, he was still aware of his evil commanding soul:

"Nor do I absolve my own self (of blame): the (human) soul is certainly prone to evil, unless my Lord do bestow His Mercy: but surely my Lord is Oft- forgiving, Most Merciful." - 12:53 (Y. Ali)

If even a prophet can not be sure about potential misguidance from his evil commanding soul, no one claim to be pure and free from faulty ideas and behaviors. Therefore, it is essential to allow

critical thinking to sort out good from evil. Nursi argues that constructive critical thinking is the key to eliminate falsehood from the truth.

Indeed, critical thinking was a great value during the rise of Islamic civilization. For instance, Baghdad, during the Abbasid Era, became center of science and education. Major Greek literature was translated into Arabic even though some of them were great challenges to Islamic teaching at that time.

Critical Thinking in the Muslim World

Thinking in general and critical thinking in particular is missing mostly in the Muslim world despite the fact that Islam gives utmost importance to the issue as explained above. Again, the problem is cultural. Individuals prefer to have someone thinking for them. They are fine to blindly follow their leaders at home, school, work, and mosque. This is known as “bay’ah culture” in which followers make firm commitment to their leaders. People put their minds in the pocket of their leaders.

As Muslim scholar, Nursi was very active in reminding people the importance of critical thinking. He actively supported the declaration of constitutional monarchy in the last era of Ottoman Empire. He engaged with Kurdish people to discuss the merit of freedom and democracy through critical thinking. In one instance, he asked people their views of ongoing revolution. When he noticed people referring their leader to give an answer, he declined to talk to them by saying the following: “Then, I do not want to talk to you. I will talk to your minds which in the pocket of your local leader.”

The lack of thinking is at all levels in the Muslim world. For instance, educational curriculum from elementary to college are mostly based on rote learning in which students are expected to quite memorized whatever is provided to them rather than questioning. Religious education is mostly based on menqubah (religious story) rather than mafqurah (deep thinking). People confuse critical thinking with criticism. They are either afraid or ashamed asking questions. In reality, Jeffrey Lang, mentions in his book titled “Even Angels Ask”, there is nothing wrong in asking questions as long as one intends to learn.

4.3. Third Institutional Value: Justice

Justice is an important value to get the mind work at optimum level. Justice is above the laws. It is guiding value in shaping social relationship. It is absolute essential for social peace and prosperity. Justice is important for efficient economic outcome as well. Indeed, the father of modern economics, Adam Smith, in his famous book of Wealth of Nations, explicitly refers to justice as necessary value for efficient market transactions: “Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government ” (Smith, 2005, Book V, Chapter 3).

Justice in the West

Justice both in theory and practice gives the West higher edge of the East. The West has realized the importance of social and economic justice for peace and prosperity. Western individuals have developed better sense of justice largely due to high intellectual discourse on what is justice, why we need justice, and how we can accomplish justice.

While the East relies on story telling on how to be just, the West has engaged in many deep philosophical discourse on why need justice (Boot, 2012; Rawls, 1957, 1999). For instance, John Rawl’s theory of justice provides compelling intellectual arguments on the need for justice and reasons for redistribution in favor of the least advantaged in a society. Amartya Sen is a pioneering economist incorporating theory of justice into economics (Brown, 2010). He establishes strong link between social justice and his capability approach (Nussbaum, 2003).

The West has developed formal institutions and organization to realize justice in practice. The separation of the power with independent judiciary system is essential pillar of political system in the West. The status of judges and lawyers in the west are clear evidence to the importance of legal justice there.

Justice in Islam

Justice is one of essential Quranic message. The Quran talks about God as All-Just and calls on believers to be just in their relationship with others even if it goes against their own interests. Nursi argues that justice is one of four essential themes in the Quran. Indeed, he claims that the key purpose behind the Divine revelation is to establish justice among people. The Quran repeatedly calls on believers to be just in their behaviors and warn those with great punishment if they commit injustice. According to Nursi, we need just Divine laws (shariah) because we are created with certain faculty which needs to be restrained to avoid any harm to others while living in a society. Thus, the Divine laws set the limit to our faculty to prevent any injustice in our relationship with others. There are many verses in the Quran calling for justice in our relationships. We will only provide few examples to show the importance of justice in the Quranic perspective:

BEHOLD, God bids you to deliver all that you have been entrusted with unto those who are entitled thereto, and whenever you judge between people, to judge with justice. [75] Verily, most excellent is what God exhorts you to do: verily, God is all-hearing, all-seeing! - 4:58 (Asad)

O ye who believe! stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be (against) rich or poor: for Allah can best protect both. Follow not the lusts (of your hearts), lest ye swerve, and if ye distort (justice) or decline to do justice, verily Allah is well-acquainted with all that ye do. - 4:135 (Y. Ali)

O ye who believe! stand out firmly for Allah, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: that is next to piety: and fear Allah. For Allah is well-acquainted with all that ye do. - 5:8 (Y. Ali)

And come not nigh to the orphan's property, except to improve it, until he attain the age of full strength; give measure and weight with (full) justice;- no burden do We place on any soul, but that which it can bear;- whenever ye speak, speak justly, even if a near relative is concerned; and fulfil the covenant of Allah. thus doth He command you, that ye may remember. - 6:152 (Y. Ali)

"And O my people! give just measure and weight, nor withhold from the people the things that are their due: commit not evil in the land with intent to do mischief. - 11:85 (Y. Ali)

Allah commands justice, the doing of good, and liberality to kith and kin, and He forbids all shameful deeds, and injustice and rebellion: He instructs you, that ye may receive admonition. - 16:90 (Y. Ali)

Nursi defines the Quran as Divine laws coming from the infinite knowledge of God to establish best rules and principles for just society. Nursi argues that the real reason behind the Battle of Camel was not the will to power. Rather, it was the idea of justice. The Khalifah Ali rejected to punish suspected killers of Khalifah Othman because of the lack of convincing evidence. He was afraid to commit injustice by wrongly punishing innocent people. He was willing to be killed rather to kill justice as a value in society (Nursi, The Letters)

Justice in the Muslim World

In the Muslim world, justice is largely missing. There is deep intellectual debate over justice. There is no modern competing justice theory like Rawls's theory of justice. It is story-based (manqibah) justice. People know historical examples of justice. However, they have no deep understanding of what justice is and why we need it. Legal system is mostly a tool for people of power. Justice is important value until people gain certain power. Then, everything is justified through maslahah.

4.4. Fourth Institutional Value: The Rule of Law

The existing of laws as formal institution is not sufficient. It is important to internalize the rule of law that puts limit on the people of power and require everyone to act within the legal boundary. Belief in the rule of laws is necessary to assure the mind to its best. It is an assurance to individuals they shall work hard and their property rights are under the protection of the laws. The rule of laws requires that the power shall reside in the law, not in people. No one shall be above the law that is necessary for the implementation of justice. In a democratic society, those who represent people make the law. Thus, the rule of law represents the will of people rather than the will of ruler(s).

The Rule of Law in the West

The West has internalized the rule of law to a great extend while in the East, the people of power are the de facto laws. The formal laws work mostly for the weak, not for everyone mainly because people do

not believe in the power of laws. Again, it is not about having good legislation on paper, it is about having a mental mode or belief of realizing that the power shall reside in the laws.

NIE pays a great attention to legal environment to explore the impact of the rules of the game on economic development. NIE truly appreciates the overlap between economics and law. It has been particularly interested in contract law (Macneil, 1980), property law (Anderson, McChesney, & Dhami, 2004), and more recently intellectual property law (Besen & Raskind, 1991). Judiciary is particularly important in terms of enforcing property rights, thus, reducing transaction costs to create higher gains from trade.

There are many studies regarding the importance of property rights. As stated by Coase (1959, p.12) , “a private-enterprise system cannot function properly unless property rights are created in resources, and, when this is done, someone wishing to use a resource has to pay the owner to obtain it.” Once property rights are well defined, it has to be efficiently governed through contractual relations and judiciary system.

The securing property right is absolute essential for efficient market transaction. Particularly, to move from autarky toward free market transaction at local, regional, national, and international levels, it is important to secure property rights. In modern economies, transaction sector becomes a large component of gross national product. In response to various transaction needs, we observe highly specialized transaction organizations. The key question of economic development is how those organizations could evolve to become more productive in handling limited resources. Why do they work differently in different countries? Particularly, why do educational, political, economic, legal, and social organizations in the West work more efficient than those in the East? NIE scholars explore the relationship between property rights and transactions costs to find an answer to the questions above (North, 1991).

The Rule of Laws in Islam

The rule of laws is important requirement for justice. The power shall lies in the laws not individuals. The rule of laws is very important in Islam. Indeed, Islam is mostly known as Shariah ruling which means the ruling of laws based on the Quran and sunnah: “..So take what the Messenger assigns to you, and deny yourselves that which he withholds from you. And fear Allah. for Allah is strict in Punishment. - 59:7 (Y. Ali)

The Quran provides many examples of just laws to govern a society. No one, even a king, shall not be above the laws. Indeed, when Omar was khalifah, a person openly reminded him the Shariah laws in the Quran and sunnah and told him that he would correct him by his sword if he goes beyond the Sharia boundary. Omar as able leader did not punish that person. Rather, he was happy to have such courageous person to correct him if he does any mistake. Nursi was in favor of constitutional monarchy because he argues that in absolute monarchy the sultan is the law while in constitutional system the power is within the laws. Even the Sultan can not go beyond the laws if there is a real constitutional monarchy.

The Quran sets many rules to protect rights of individuals. The longest verse in the Quran sets the rules for the law of obligations to assure the protection of the rights of both borrower and creditor. The property rights and particularly the rights of women to own property are set in the Quran and hadith. Indeed, the Prophet mentions the property rights as sacred as the right of life in the following hadith: “Truly your blood, your property, and your honor are inviolable”¹¹⁷

The Prophet in his famous last sermon explicitly mentions certain human rights including the rights of partners over each others: “It is true that you have certain rights in regard to your women, but they also have rights over you. Remember that you have taken them as your wives, only under Allah's trust and with His permission.”

Indeed, the Arab world before Islam was largely ruled by tribes, not laws. Islam came with the Divinely ordained laws (shariah) to establish social order and justice. No person was above the law. For instance, when a lady (called Makhzumiya) who was from a powerful tribe was not of being guilty of theft, people tried to intervene to make exception in applying the law as narrated from by the Prophet's wife, Aisha: “The Quraish people became very worried about the Makhzumiya lady who had committed theft. They said, "Nobody can speak (in favor of the lady) to Allah's Apostle and nobody dares do that except Usama who is the favorite of Allah's Apostle." When Usama spoke to Allah's Apostle about that matter, Allah's Apostle said, "Do you intercede (with me) to violate one of the legal punishment of Allah?" Then he got up and addressed the people, saying, "O people! The nations before you went astray because if a noble person committed theft, they used to leave him, but if a weak person among them committed theft, they used to inflict

¹¹⁷ Narrated in *Saheeh Al-Bukhari*, #1739, and *Mosnad Ahmad*, #2037.

the legal punishment on him. By Allah, if Fatima, the daughter of Muhammad committed theft, Muhammad will cut off her hand!” (Bukhari, Volume 8, Book 81, hadith no:779)

The Rule of Law in the Muslim World

In most of countries, the power lies in persons of power rather in the law. Tribunal relationships, personal connection, political and ideological associations, and social status play significant role in the implementation of the law. People are still seeking to solve disputes outside legal framework if possible. Authoritative rulers manipulate the law based on their own will rather than listening the will of people. While the law is supposed to protect the weak against the powerful, in most Muslim countries, they are applicable to the weak more than the powerful. Those who gain power do not want to be limited by the law.

4.5. Fifth Institutional Value: Equality

Equality is a necessary trait for justice. It is an equal treatment of individuals irrelevant to their gender, race, ethnicity, religion, wealth, etc. It is a recognition that any mind can create great values irrelevant to gender, race, or religion. It is to believe that any mind might contain a great treasure. It is a way to eliminate all kinds of discrimination to provide equal opportunity to everyone to flourish.

Equality in the West

The West came to the realization that discrimination of every kind is really bad after painful and costly historical experiences. As a result, they have established relatively fair system, which provides relatively fair opportunity to every mind to flourish. As happened in the USA, they have witnessed the great value of non-discriminatory value, which allows every mind to make higher contribution to social and economic outcomes. Electing a black person as president and choosing Indians as CEO of Google and Microsoft are great evidence of this value. The East at this moment far from understands that equality, not privilege, is the best for everyone in the long-run.

Acemoglu and Robinson (2012) provide strong historical evidence for the importance of equal/fair opportunity in the West and the Rest. They identify two types of institution that accounts for success or failure of nations. In their book, *Why Nations Fail*, they argue that it is the nature of institutions that determine the fate of nations. Using historical data, they show that success of

nations mostly is the product of inclusive and pluralistic institutions, which provide opportunities for everyone to participate in wealth creation. On the other hand, nations fail when they have extractive institutions, which favor only small elite for political and economic power while extracting resources from the rest.

Equality in Islam

Islam negates racism with all of its kinds. The Quran speaks of Iblis as a first racist person who claimed to be superior to Adam because of being created from fire: “

It is We Who created you and gave you shape; then We bade the angels bow down to Adam, and they bowed down; not so Iblis; He refused to be of those who bow down. ((Allah)) said: "What prevented thee from bowing down when I commanded thee?" He said: "I am better than he: Thou didst create me from fire, and him from clay." ((Allah)) said: "Get thee down from this: it is not for thee to be arrogant here: get out, for thou art of the meanest (of creatures)." - 7:11-13 (Y. Ali)

Thus, from the Quranic perspective, racism is a Satanic trait. It shall be avoided at any cost. Indeed, Islam provides ontological rational for abolishing racism from humanity. As stated in the first racism case above, the root cause of racism is possession. Iblis was racist because he thought he had something which Adam did not. Thus, he considered himself superior due to this possession. Indeed, one can read the entire history of mankind as a history of racism based on color, ethnicity, wealth, gender, etc. The Quran declares God as true owner of everything. Thus, it leaves nothing to claim for superiority. Indeed, if a person has nothing to claim to be his, there would be no reason for racism.

“and unto God belongs all that is in the heavens and all that is on earth. AND, INDEED, We have enjoined upon those who were granted revelation before your time, as well as upon yourselves, to remain conscious of God. And if you deny Him - behold, unto God belongs all that is in the heavens and all that is on earth, and God is indeed self-sufficient, ever to be praised. - 4:131 (Asad)

Nursi comments on the Quranic verses related to equality in the following statement:

“O man! One of the Qur'an's principles is this: consider nothing other than Almighty God to be greater than yourself to the degree that you worship it. And do not consider yourself to be greater than anything else to the degree that you become arrogant and haughty before it. For just

as all creatures are equal in regard to their distance from being fit to be worshipped, so too are they equal in regard to their createdness.” (Nursi, the Flashes, 17th Flash, p.158)

The Quran explicitly mentions that what makes one to be superior to others is the righteous in the eyes of God, not gender or race:

O mankind! We created you from a single (pair) of a male and a female, and made you into nations and tribes, that ye may know each other (not that ye may despise (each other)). Verily the most honoured of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things). - 49:13 (Y. Ali)

The Prophet in his last sermon provides very strong denunciation of racism in the following statement:

“All mankind is from Adam and Eve, an Arab has no superiority over a non-Arab nor a non-Arab has any superiority over an Arab; also a white has no superiority over a black, nor a black has any superiority over a white- except by piety and good action.”

In short, Islam provides strong ontic rational to abolish every kind of discrimination and racism both in theory and in practice. For instance, in Jumuah prayer, there is no hierarchy at all. Everyone prays shoulder to shoulder irrelevant to their race or wealth. In the performance of Hajj, everyone is required to wear similar simple two pieces of clothes and worship to God together without any sign of difference in race, gender or wealth.

Equality in the Muslim World

Discrimination is a major problem in the Muslim world. People are being treated based on their gender, wealth, ethnicity, religious affiliation, etc. Indeed, racism is an open secret in most of Muslim countries. Many people do not acknowledge this fact because it is internalized through informal and formal institutions. In some countries, workers are paid based on their passports irrelevant of their qualifications. Poor Muslim workers are treated like slaves denied their basic rights.

Indeed, inequality is a common disease in most of Muslim countries. At home, girls are mostly discriminated. At school, students are discriminated based on their wealth. At work, employees are discriminated based on their employment status. Even at universities, academicians treat each other based on their academic titles. Even those pray side by side at mosques, treat each other based on their sectarian affiliation.

4.6. Sixth Institutional Value: Participatory Culture

Participatory culture is a democratic culture at every level, not just political one. It is way to benefit from everyone. It is a belief in team working. It is recognition of the power of connected minds. It is understanding of higher outcome in working together. Participatory culture is necessary to get the minds connected toward common goals.

Participatory Culture in the West

The West has realized the power of participation in accomplishing higher productivity. Therefore, they encourage participation of stakeholders at schools, works, and governmental levels. While the East mostly has a leading figure with many blind followers, the West promotes collaborative participatory leadership. In the East, the political system is mostly a strong man show even if it seems to be democratic because people do not truly believe in the participatory culture. Bureaucracy is a means to control people rather than serving them.

Political institutions have also received significant attention in NIE. For instance, some political economists explore efficient political institutions which allow bureaucrats to make policy choices last beyond their own terms (Moe, 1989). Inclusive, rather than, extractive, political and economic institutions are essential for real economic transformation. Even though it is possible to have economic growth even under dictatorship, in the long-run, it is not possible to accomplish market efficiency without participatory political institutions defining and enforcing property rights.

Participatory Culture in Islam

Participatory culture is very important in Islam. One of 112 chapters of the Quran is titled as “Consultation (Ash-Shura)”. The Quran describes believers as those who use consultation to deal with their affairs: “and who respond to [the call of] their Sustainer and are constant in prayer; and whose rule [in all matters of common concern] is consultation among themselves; [38] and who spend on others out of what We provide for them as sustenance; [39] - 42:38 (Asad)

The Prophet did practice consultation with his companions to come up with better solutions. Indeed, the Quran commands the Prophet to consult his companions for public affairs: ...And take counsel with them in all matters of public concern; then, when thou hast decided upon a course of

action, place thy trust in God: for, verily, God loves those who place their trust in Him. [122] - 3:159 (Asad)

For instance, during the Battle of Badr which was the most important event in the for the survival of Islam, the Prophet determined the strategic location of the war through consultation. He first came up with his own idea and asked companions for their views. The following reported conversation between the prophet and his companion clearly shows the importance of consultation in the life of prophet: A companion asked:

“Has Allah inspired you to choose this very spot or is it an opinion and strategy of war and a matter of consultation?”

The Prophet replied

“It is strategy of war and a matter of consultation.” The man said: “This place is no good”

The Prophet asked:

“Where is the best place?” And the man pointed to the perfect place so that the Prophet (peace and blessings of Allah be upon him) approved his plan and agreed to carry it out, and he moved the army to that spot.

Consultation was used to elect four khalifah after the death of Prophet. Neither the Prophet nor four khalifah chose their successor. Rather, it was determined through certain consultative process. For instance, when Umar ibn Al-Khattab was stabbed and was about to die, the companions asked him to name his successor, but he refused. However, he named six of the Prophet’s companions who the nation was unanimous over their goodness. He said: “Choose from among those people who the Prophet said the people of Paradise; Sa’id ibn Zayd ibn Amr ibn Nufayl is one of them, but I will not include him. The six men are: Uthman and Ali the children of Abd Manaf, Abd-al-Rahman and Sa’d the Prophet’s maternal uncles, Al-Zubayr ibn Al-Awwam the Prophet’s cousin, and Talhah ibn Ubaydullah. So, choose a man from among them. If they choose one, support him... Al-Tabari: Tarikh Al-Umam wa Al-Muluk 3/293. Likewise, when it was asked to Ali ibn Abu Talib: Don’t you name your successor? He said: “The Messenger of Allah (peace be upon him) did not name his successor, so I will not. However, if Allah wants good for people, He will make them choose the best from among themselves, as He made them choose the best after their Prophet died.” Narrated by Al-Hakim in Al-Mustadrak: Book on Abu Bakr Al-Siddiq (4463)

Nursi provides a great example of what we gain through participatory culture. He argues that through teaming four individuals could accomplish the outcomes of 1111 people. In other words, if four individuals work individually, the accumulated outcome of their works would be: $1+1+1+1=4$. They will accomplish total outcomes of four individuals. However, if they work as a team, side by side (true solidarity), united as one figure with nothing in between (no horizontal hierarchy), at the same level (no vertical hierarchy), the outcomes of their works will be equivalent to that of 1111 individuals. “If four times four remain apart, they have a value of sixteen. But if, through the mystery of brotherhood and having a common goal and joint duty, they unite coming together shoulder to shoulder on a line, they acquire the strength and value of four thousand four hundred and forty-four. Indeed, numerous historical events testify that the moral strength and value of sixteen self-sacrificing brothers have exceeded that of four thousand” (Nursi, *The Flashes*, p.215).

Participatory Culture in the Muslim World

Participatory culture is largely missing in the Muslim world. Despite the great emphasis on consultation in the Quran and sunnah, Muslims generally do not practice authentic consultation in finding solutions to their problems. As discussed before, at every level of society, the dominant culture is strong man show rather than collaborative team working. At home, decisions are largely done by fathers rather than family consultation. At school, it is the principal imposing his great ideas on teachers rather than consulting to them. At work, it is the strong manager who knows everything rather than collective body of employees. Even at business, it is mostly one person or family run companies rather than professionally run public companies.¹¹⁸ At government level, even if there is democracy, it is not participatory democracy. It is mostly autocratic democracy allowing changing autocratic leader through election. The number of authentic think tanks in the Muslim world compared to the West is a clear evidence of how much political leaders are willing to listen to others when they set certain policies. Even religious organizations are mostly run by one or few elite members rather having authentic consultative body.

4.7. Seventh Institutional Value: Accountability

¹¹⁸ HR director at Google recently released the five key traits of employees they are searching for. They include learning skill, leadership, humbleness, ownership, and expertise. The four out of five traits are necessary for because it allows team working and creativity.

Accountability is the culture of taking responsibility. It is a making those who do not play the game according to the rules to pay the price. It is an awareness of opportunity cost for everything. It is an understanding of fairness in fulfilling your tasks as a team member of society. Internalizing accountability is to take personal responsibility for your mistakes or wrongdoings.

Accountability in the West

The West has implemented the sense of accountability at every level. At home, from early age, people are given responsibility and held accountable for consequences. At school, students are held accountable if they do not study while teachers are held accountable if they do not fulfill their responsibilities. At corporate level, workers and managers are given responsibilities and held accountable toward the stakeholders. At government level, government officials are held accountable if they mishandle public resources or do not fulfill their job properly. As a result, the Western countries have the lowest corruption rate while the Eastern countries have very high corruption rate. Many empirical studies reveal that high corruption rate is inversely related to economic growth and development (Aidt, 2009).

Accountability in Islam

Accountability is among six pillars of faith in Islam. The Quran repeatedly talks about the Day of Judgment on which people will be judged for everything they did in this life. The Quran uses different names for the day of judgment including the Day of Accountability, the Day of Resurrection, the Hour, and the Last Day:

“On the Day when every human being will find himself faced with all the good that he has done, and with all the evil that he has done, [many a one] will wish that there were a long span of time between himself and that [Day]. Hence, God warns you to beware of Him; but God is most compassionate towards His creatures.” - 3:30 (Asad)

In the very well-known surah, Az-Zalzalah, the Quran warns people for the full accountability on the day of judgment on which: And so, he who shall have done an atom's weight of good, shall behold it; and he who shall have done an atom's weight of evil, shall behold it. - 99:7-8 (Asad)

Muslims believe that two angels are recording everything they do in life. There is no way to escape from accountability. Indeed, the Quran warns people that their body parts will be witness

against them on the day of judgment: “On that Day We shall set a seal on their mouths [32] but their hands will speak unto Us, and their feet will bear witness to whatever they have earned [in life]. - 36:65 (Asad)

Personal accountability requires holding others accountable as well. From an Islamic perspective, everything given to us is just trust from God. We will be held accountable in terms of how we use them. Thus, we can not just blame others for the misuse of our trust. We have to take personal responsibility to protect our trust. Indeed, the Prophet warns personal accountability at every level in the following hadith: ”....And every man is a shepherd to his family. And every woman is the custodian of her husband’s house and his children. Thus each one of you is a shepherd and each one will be asked about his flock.” (Buhari and Muslim)

Nursi argues that as shepherd we all need to be alert to the use of public resources. He warns people to be a watchdog: “You give your sheep under the protection of a shepherd. However, the shepherd is lazy and his assistant is careless. His dog is useless. In such situation which one is better: If you trust the shepherd and sleep in your house, you will leave your sheep to thief and wolves with many troubles. Or if you become aware of the insufficiency of the shepherd and send one person from a house to courageously protect sheep. Thus, it will be a battalion in place of single shepherd. Wouldn’t that be better to scare wolf and thief? (Nursi, İlk Donem Eserleri, p.468)

Accountability in the Muslim World

Accountability is largely missing in the Muslim world. Indeed, Muslim countries are among the most corrupted ones in terms of use of public money. Again, it is a deep cultural problem. Individuals are raised house and schools without serious accountability. Thus, when they get to work, they continue the same culture. Ironically, even those who are honest at individual level, they generally do not see problem to steal from government resources not thinking that it is collective right of taxpayers. In Turkish, it is well-known phrase goes like this: “devlet mali deniz yemiyen domuz” (State wealth is like ocean. Whoever does not eat it, they shall become pig). While in the West, people consider state employees as public servants and question their services as taxpayers, in the Muslim world, state employees are treated like masters as if they are self-funded. Likewise, the private sectors do not take much responsibility compared to their counterparts in the West. Even though it is not a religious obligation, major companies in the West

respect consumer rights with a great sense of responsibility because of expected high returns of customer trust and loyalty.

4.8. Eight Institutional Value: Competency

Competency is self-reliance, rather than relying on his/her parents and government. It is awareness of incredible human potential. It is cognizance of self-treasure of mind. It pushes people to work hard to support their life rather than being dependent on others. It instills in everyone that they trust in their competency rather than trust in their connections.

Competency in the West

The West gives people a sense of self-confidence at very early age. It teaches them how they shall rely on themselves. For instance, in USA, if you are 18 years old, you are out. You have to work and earn for your living. Even if you happen to stay with your parents after 18, you have to pay the rent and share utility and grocery bills. Competitive market system forces private sectors to consider competency other than connection. Likewise, public sectors require competency before political connection and references. Of course, each party tries to come up with its own team in bureaucracy when they come to power. However, they generally do not give up on competency because of expected political accountability at next election.

Doepke and Zilibotti (2014) explore the role of parenting in raising their kids as entrepreneurs. They found that parental upbringing is directly linked to entrepreneurship skills. They argue that it was such "entrepreneurial spirit" led to the British Industrial Revolution. In survey of development experiences of different nations, Landes (1998) concludes that successful nations tend to have uplifting cultural values such as thrift, hard work, tenacity, honesty, and tolerance while failed nations are associated with contrasting values such as intolerance, xenophobia, corruption, government welfare dependence.

Competency in Islam

The importance of competency in Islam comes from the understanding of possession as trust. It is important to grant trust to those who are competent to protect. Otherwise, there will be

personal accountability. Indeed, the Quran talks about competency as obligation in the following verse:

BEHOLD, God bids you to deliver all that you have been entrusted with unto those who are entitled thereto, and whenever you judge between people, to judge with justice. [75] Verily, most excellent is what God exhorts you to do: verily, God is all-hearing, all-seeing! - 4:58 (Asad)

After the declaration of constitution, many Muslims in Ottoman Empire were afraid that non-Muslims would occupy certain government positions including being governors. When Nursi was asked about the possibility of having Armenian governor, he replied as follows: “They can be governors as they become watchmaker, mechanics, and broom master.... That is because constitutional monarchy is the nation’s sovereignty. Government is the servant. If the system is authentic, local leaders and governors are the master, but paid servants of people.” (Nursi, Munazarat, p.79)

Competency in the Muslim World

In the Muslim world, what really matter is not necessarily competency, but rather connections and compassion. Indeed, in the East, you could rely on your parents until you die. You have free lifelong credit line from “Baba (father) Bank”. In the West, you have to rely on your skills once you reach 18 years old. Otherwise, you are out on the street. We might consider the West to be heartless and while the East to be compassionate. In the end, the West helps new generation to help themselves rather than being dependent while the East kills the potential of its new generation. Thus, the East is compassionate, but “compassionate killer”. The West is heartless, but “heartless helper”.

The Muslim world, government positions are bribed to relatives and supporters of ruling party. Each political party competes with placing more of its supporters in the government positions without considering competency and fairness. For instance, in Turkey, hundred year of after Nursi’s idea of competency for government jobs, people are not still ready to embrace competent, but non-Muslim governor. They do not even tolerate to see someone who is competent, but having different political or sectarian association in Islam.

4.9. Ninth Institutional Value: Punctuality

Punctuality is to understand the importance of time and use it for the optimum outcome. It is a necessary byproduct of accountability and competency. It is a conviction that no time shall be wasted in unearthing the treasure of the mind. It is a belief in doing everything in a timely manner to accomplish higher outcomes.

Punctuality in the West

The West has mostly succeeded in making people punctual in fulfilling their work. At a very early age, it teaches individuals the importance of punctuality. It makes them develop a second nature internalizing punctuality. On the other hand, the East does not value time that much (White, Valk, & Dialmy, 2011). The most common waste in the East is the mind and time. This is a major impediment to development because knowing the value of time and completing work on time is an important factor affecting productivity and economic growth, as documented by economists (Basu & Weibull, 2002).

Punctuality in Islam

The perception and proper use of time is very important in Islam. Indeed, God swears by time to attract our attention to the importance of time when comes to success and failure:

By (the Token of) Time (through the ages), Verily Man is in loss, Except such as have Faith, and do righteous deeds, and (join together) in the mutual teaching of Truth, and of Patience and Constancy. - 103:1-3 (Y. Ali)

The companions of the Prophet would always recite the surah above whenever they ended their meetings in order to remind to each other the importance of time. The timing of five times daily prayers is supposed to help believers to be gain higher awareness of punctuality. The prophet mentions the timely salat as one of the most important deeds in the eyes of God.

Punctuality in the Muslim World

The time is perhaps the most wasted resource in the Muslim world. People generally use inshallah when they indicate indefinite time in doing something. Inshallah (if God wills) means that I will do if Allah grants me to do us considering Tawhidi ontology of direct control of God over everything. However, in the cultural use, inshallah almost always means delay or no action.

Unlike what is seen in the Western culture, it is exceptional to find people being on time when they give any appointment.

4.10. Tenth Institutional Value: Plurality

Plurality is not only tolerating differences, but treasuring them. It is to realize the enriching value of being different. It is to acknowledge diversity as the essence of human beings. It is to become aware of the importance of the treasure of the mind of different individuals regardless of their cultural outlook and preferences. It is understanding that syntheses of existing ideas could be possible when you have competing ones.

Plurality in the West

The West has realized the importance of a pluralist culture in modern times to benefit from the minds around the world. They provide a fertilizing environment for people of different views to live side by side toward common goals. The relatively pluralist nature of American and European countries is a testimony to the Western success in creating a plural society. In a global world, learning how to live with people of different cultures and religions is not an option anymore. It is a necessity. And it is an important factor for economic development. Indeed, some studies provide clear evidence on the positive contribution of tolerant culture to economic growth (Berggren & Elinder, 2012).

Plurality in Islam

Nursi considers plurality as outcome of diverse Divine names. He argues that the different paths to the truth are because of different names guiding different individuals:

“For sure, man is the place of manifestation of all the Names, but the Names being various has resulted in the universe’s variety and the differences in the angels’ worship, and has also caused a degree of variety among men. The different laws of the prophets, the different ways of the saints, and the different paths of the purified scholars has arisen from this mystery. For example, together with the other Names, the Name of All-Powerful was predominant in Jesus (Peace be upon him). And in those who follow the path of love, the Name of Loving One prevails, and in those who

follow the path of contemplation and reflection, the Name of All-Wise” (Nursi, The Words, 24th Word, pp.343-344),

Thus, we shall consider differences in views as enrichment rather than threatening. We shall not force everyone to be like us. This would be against the manifestation of different Divine names. Indeed, the Quran mentions that difference in race and gender is enrichment because through such difference we learn something from each other:

O mankind! We created you from a single (pair) of a male and a female, and made you into nations and tribes, that ye may know each other (not that ye may despise (each other)). .. - 49:13 (Y. Ali)

Plurality in the Muslim World

Despite the historical fact of plural culture in the Muslim countries, it is hard to claim that Muslims today can treasure and even tolerate differences. Ironically, certain Muslim groups claim to bring universal peace and justice to humanity. However, they could not even tolerate other Muslim groups in their own countries. It is easy to blame outsiders for the fitnah among Muslims. The fact is that Muslims today generally do not see differences as the manifestation of different Divine names. As Nursi points it, this is due having religious people who “are sensitive in religion, but incomplete in mental judgment”.

5. Transformative Changes through Institutional Reform in the Muslim World

How to help the Muslim world to be as efficient as the West? Economists used to think that it is easy to bring the change. Indeed, early neoclassical analyses predicted that poor countries would have higher growth rate compared to wealthy countries because of diminishing returns to capital in the latter. Ironically, the prediction turned out to be false. Some economists suggest that the reason behind this false prediction was the underestimation of institutions (Knack & Keefer, 1997). Using empirical evidence, they argue that the ability of the poor countries to catch up with the rich ones is determined by institutional quality. Indeed, those studies conclude that in the absence of proper institutions, the gap is growing and the poor is getting poorer.

Ironically, even though we understand that the change has to start from institutions, we still do not know how to get those institutions with its embedded values to at least half of the world’s

population. Indeed, it is not easy to bring change to society. Particularly, changing underlying values take long time. That is because of collective learning manifested in a society over time. In Hayek's terms, collective knowledge makes people to do things in particular ways. It is culture transmitting our experience from generation to generation through "accumulated stock of knowledge" (Hayek, 2011).

We think the difficulty can be explained with two key factors: path dependence and internalized informal institutions. Path dependence is a key concept developed to explain the challenges in changes. The concept was originally proposed by Brain Arthur (1988, 1989) and Paul David (1985) to describe difficulty in the path of technological change. A well-known example is the QWERTY layout for typewriters. Even though we have invented better keyboards for faster typing, majority of people still stick with the QWERTY layout. Path dependence is also a useful concept to understand why it takes hundred of years to change mental models and embedded values behind institutions. Path dependence means that we could not ignore completely ignore our economic choices we made yesterday when we decide for the new ones today. Path dependence theory predicts very slow change in those values because of our cognitive dependence on the historical knowledge. In other words, the theory argues that history does matter the way we think about our problems. It is not easy to change beliefs, customs, taboos in short-run.

North agrees that change is not easy due to path dependence. "Once an economy is on an "inefficient" path that produces stagnation it can persist (and historically has persisted) because of the nature of path dependence. Institutional path dependence exists because of the network externalities, economies of scope, and complementarities that exist with a given institutional matrix... paths do get reversed..... but reversal is a difficult process about which we know all too little" (North 1993, p.3) Thus, the key question is how to change the path toward productive social and economic outcome.

The second factor is the lack of emphasis on internalized informal institutions such as culture, norms, and belief. We argue that the change has to start from those informal institutions in order to make formal institutions successful. As argued by North (1993), it is not possible repeat success of developed countries by transferring formal political and economic rules to the third world because "the informal norms and enforcement characteristics" are different. Thus, it is almost impossible to have overnight economic revolution. Rather, change is evolutionary because it takes time to change underlying values. "Revolutions are extraordinary and even when they occur turn

out over time to be far less revolutionary than their initial rhetoric would suggest” (North, 1993, p.4)

We argue that the real transformative socio-economic change shall begin at informal institutional level first. Then, the formal institutions and organizations shall be reformed. The change has to start at family level first. Parents shall be educated to implement institutional values such as liberty, critical thinking, consultation at home. Educational system shall be reformed to assure that curriculum reflect those values. Teachers shall be trained to practice those values at school to set an example for students. More importantly, religious messages shall incorporate those values as well. Religious teaching shall not be based on duality of affairs that are related to this world and hereafter. Rather, they shall be presented in united manner in which worldly affairs are just another face of deeds related to the hereafter. Thus, Muslims shall not consider Islam as something dealing with worship in the form of relationship between human and God. Rather, they shall consider Islam as a guideline for human to human relationships based on certain values. We argue that once we incorporate ten institutional values at home, school and mosques, we can easily create necessary formal institutions and organizations to bring real socio-economic transformation.

6. Conclusion

In this paper, we attempt to explain the needed transformational reform for socio-economic development through the findings of NIE literature. We argue that what makes the West to do better than the Muslim world in last few centuries is ten institutional values. We consider those values as foundation for long-term development. Indeed, they are like physical laws for socio-economic changes. It does not matter whether you believe in them or not. If you follow those laws like values, you will become successful. If not, you will fail. We argue that those values do not belong to the West even though they look like western values in the modern time. Indeed, during the Golden Ages of Muslims, they were the fabric of Islamic civilization. Over time, Muslims lost those values along their great civilization while the West discovered them to establish their own Golden Ages in terms of socio-economic progress.

Indeed, at one time the Muslims were following those values and they were experiencing the Golden Age. For instance, critical thinking was a great value during the rise of Islamic civilization. As discussed in this paper, Baghdad, during the Abbasid Era, became the center of science and

education. Major Greek literature was translated into Arabic even though some of it was a great challenge to Islamic teaching at that time. Likewise, justice, rule of laws, participatory culture, and equality were key values during the early years of Islam. Indeed, the Arab world before Islam was ruled largely by tribes, not laws. Islam came with the Divinely ordained laws (shariah) to establish social order and justice. No person was above the law. For instance, when a lady (called Makhzumiya) who was from a powerful tribe was not found guilty of theft, people tried to intervene to make an exception in applying the law as narrated by the Prophet's wife, Aisha: "The Quraish people became very worried about the Makhzumiya lady who had committed theft. They said, "Nobody can speak (in favor of the lady) to Allah's Apostle and nobody dares do that except Usama who is the favorite of Allah's Apostle." When Usama spoke to Allah's Apostle about that matter, Allah's Apostle said, "Do you intercede (with me) to violate one of the legal punishment of Allah?" Then he got up and addressed the people, saying, "O people! The nations before you went astray because if a noble person committed theft, they used to leave him, but if a weak person among them committed theft, they used to inflict the legal punishment on him. By Allah, if Fatima, the daughter of Muhammad committed theft, Muhammad will cut off her hand!" (Bukhari, Volume 8, Book 81, hadith no:779)

If the East wants to catch up with the West, it first needs understand that the real power, wealth, and value come from "minds" not mines or minerals. It needs to perceive the minds as treasure more valuable than the treasure of gold and diamond. It needs to set up a good education system which encourages students to unearth their gold and diamonds. Of course, such change cannot happen overnight. It will take time. Indeed, the change shall be evolutionary, not revolutionary. It shall be through the use of smart power, not hard or soft power. We argue a real change is not possible through military power (hard power) or political power (soft power), it is only possible through proper formal and informal education (smart power). It is through changing mental models and instilling uplifting values discussed in this paper. The adherence to those values shall be similar to that of physical laws. The maslaha argument shall not be used as excuse to justify wrong means for right reasons. People shall be convinced that the true success in the long-run in this world and hereafter is only possible through strict adherence to certain moral values without any compromise. Muslims shall stick firmly with right values as ordained by God in the following verse: "Therefore stand firm (in the straight Path) as thou art commanded..." 11:112 (Y. Ali)

Unfortunately, education system in the Muslim world is far from its counterpart in the West. Individuals are not raised with necessary institutional values. Even worse, the Muslim world lacks of intellectual

capacity to understand its problems and solutions. Instead, so-called great minds try to come up with conspiracy theories to blame the West for being blinded to their own deficiencies. Indeed, the Muslim world does not see human minds as the most valuable treasures to be discovered. Rather, it trashes the minds rather than treasuring. It fills with the empty mind with junky ideologies. Parents and educators in the East generally treat kids like computers and upload certain knowledge to their memory, rather than helping them to write their own programs and unearth their own treasures. They chain their minds through education rather opening their eyes to different ideas.

The paper makes a strong argument that the Western success could be attributed to ten internalized values that shape relatively efficient institutions and organizations to unearth the treasure of the mind since the industrial revolution. The paper provides strong evidence from the Islamic resources to show that those values are part of Islamic teaching. However, they are largely missing in the Muslim world for last few centuries. They are like God's law (shariah) for socio-economic life. We shall embrace them again rather than rejecting them because they look to be Western values in current time. Indeed, we argue that the supreme value for the West is not those values, but power and pleasure (benefit). Therefore, the First West (the West for the West) internally follow those values while the Second West (the West for the Rest) globally follows its national interest even if that means complete violation of those values. We argue that Muslims shall embrace those values as supreme values for the East and the Rest to bring true peace and prosperity to humanity.

We suggest that future studies shall use structural equation model with formative and reflective variables to test the role of ten internalized institutional values in explaining success and failure of development in the West and the East. We hypothesize that those values affect development through mediation of institutions. Thus, we suggest conducting mediation analysis to understand which values work through which institutions in effecting development. We think empirical evidence will help to convince policy makers and educators in giving priority to institutional values over organizations or even institutions themselves.

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**Islamic Economy
&
Economic Thoughts of Some Prominent Islamic Scholars**

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Islam is the complete code of life. Islamic economics is a part of this complete code. From a study of the Islamic teachings in the economic field, we come to the conclusion that this divine system has paid profound attention to the effective role of economic questions in human life and has taken precautionary measures against the harmful effects of economic injustice. Another name of Islamic economy is the way to salvation from economic slavery. Islam gave a proper and detailed system in the economy field, that system is so much appropriate for every age. Actually, Islam gave some rules and principles for human economic life. Based on those rules and principles, an economic system can be produced according to demand of every era that can fulfill the requirements of that era. Prophet Muhammad (p.b.u.h) applied certain economic principles according to Quran in the early periods of Islam. Those are also the basic rules of Islamic economics. After prophet (p.b.u.h) his sahaba(companions) included/extended another rules demand of that period based on basic rules and principle those are given by Prophet Muhammad (p.b.u.h). Muslims continued leadership in the economic thoughts and activities from the beginning of the Islamic civilization to until period of nearly a thousand years of Islamic rule. Throughout the ages, so many Islamic scholars explained their economic thoughts by the research of Quran and Sunnah. The philosophers and thinkers of Umayyad and Abbasi era have contributed in an invaluable role in guiding the people towards economic life on the basis of the welfare ideology of Islamic financial system. From those thinkers, Abu Yusuf (d.798) is a prominent thinker and he also the writer of first books of Islamic economics. His book is Kitab al-Kharaj. Al-Shaibani (d.804) also one of them, his book is Kitab al-Iktisad. Another one is Abu-Ubaid (d.838), his book is Kitab al-Amwal. Like those, another prominent philosophers are Iyahya ibn Adam, Al-Muhasibi, Ibn hazm, Al-farabi, Imam Gazzali, Nasiruddin Tusi, Ibn Taymiya, Ibn Khaldun and Shah Waliullah also one of them. Sayyid Abul A'la Maududi's economic thoughts also prominent in the present age. The total economic thought of those scholars is more powerful than the conventional economic systems like capitalism and communism to establish social justice in economy field.

The purpose of this article is to discuss Islamic economy and will be discussed about the economic thought of those prominent Islamic philosophers. Also, try to prove Islamic economic system is more appropriate than another economic system.

Keyword: Islam, Economy, principle, Philosopher, Justice, civilization.

Islamic Gold Dinar, Islamic Special Drawing Rights(ISDRs) and the Islamic Payments Union (IPU) : Some Conceptual and Practical Considerations

TAHIR BEG

Prior to the advent of European colonialism, the Islamic Dinar based international monetary and financial system under Islamic world order was serving well in providing stability and growth to the economies of both Muslim and non Muslim empires and countries. Under British colonialism, the international monetary and financial system with its centre in London came to be based on British pound sterling with convertibility into gold. However the system became obsolete in the wake of new economic and financial realities that emerged as a result of the two world wars. The Bretton Woods gold exchange standard system, structured after the WW II shifted the international monetary and financial leadership to the United States as the new system was based on US dollar and its fixed rate convertibility into gold. The Bretton Woods system had inbuilt contradictions and instability, well exposed in terms of the famous Triffin Dilemma, and subsequently collapsed when, in 1971, the US government abandoned gold dollar convertibility. Since then the international monetary system remains based on a few hard paper-currencies, mostly the US dollar, having no relation to and no convertibility into gold. The most basic function of international monetary system, i. e., creating international liquidity remains dependent on the profit and political designs of the international bankers sitting in the New York's Wall Street. The supply of US dollar, debased from gold, and being solely governed by the Wall Street bankers' financial and political manipulations, has led the world nations into an era of global, regional and country specific business and financial cycles under which economic stability, security and well being of a vast majority of mankind is destroyed quite so often and the system serves as a tool of diverting the hard earned wealth of the poor mankind towards the US based international bankers' community. With huge mountains of liquid funds and credit supply the international monetary system is absolutely out of control and seemingly incapable of reforms with its current fundamentals and architecture. Securing a just and equitable international

monetary order remains a daunting task.

This paper argues that reform of the contemporary international monetary system would remain impossible unless it is brought back to the natural foundation-the foundation of Gold. This paper seeks to explore the prospects of developing **Islamic Gold Dinar** as well as **Islamic Special Drawing Rights(ISDRs)** based on gold Dinars

as :

(a) Means of creating international/ intra OIC liquidity ;

(a) Reserve Assets ;

(b) Means of Balance of Payments (BOP) settlement;

among the OIC members, with special reference to the Developing 8 Group

b(D -8) of the OIC.

The intra OIC balance of payments deficits and surpluses are settled largely through bilateral arrangements, and there is definitely high need of having an intra OIC multilateral monetary institution to help economise the hard earned foreign exchange reserves of the member and to lessen their dependence on the US dollar. This paper, looking into the working and experiences of the " European Payments Union" , the " Special Drawing Rights(SDRs) scheme under the International Monetary Fund(IMF) , and the scheme of "International Clearing Union" as was proposed by J.M. Keynes, and a few other relevant proposals, discusses the prospects of establishing an " **Islamic Payments Union**" as a regional monetary integration with a view to promote monetary, financial and economic stability and growth of the OIC members with such functions as (a) Clearing House of the BOP settlement;(b) Provider of Liquidity/Reserve Fund for BOP settlement;(c) Coordination of economic policies;(d) maintaining Islamic Dinar as Unit of Account for expressing BOP balances . It is suggested to have a permanent headquarter for the Islamic Payments Union, staffed by bankers, and officials from central banks, and ministries of finance of the OIC members , as well as experts of international monetary and financial economics, from the Islamic world.

About the Author:

Dr. Tahir Beg has served as faculty member, Department of Economics ,Aligarh Muslim University (AMU) ,India, and as Assoc.Profssor, in the Faculty of Economics and Management Sciences, International Islamic University (IIUM),Malaysia. His fields of interest include International Economics, International Monetary Reforms, Islamic Economics and Islamic Finance. He is currently serving as Chairman, Institute of Islamic Economics and Development Studies, India, and is Member of the Group of Promoters, and Research Committee of Sahulat Islamic Microfinance Society, India. He earned M.A. and Ph.D in Economics from Aligarh Muslim University and has a number of books and research papers published in international journals. He has presented papers in international conferences held in Turkey, Saudi Arabia, India, Malaysia, Britain, and the United States.

The Role of Islamic Endowments (Awqaf) in Research, Development and innovation

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Science, technology and innovation are pillar of nations development and progress of civilizations, and they are the path to any advancement and prosperity in all fields. Throughout Islamic history, Awqaf used for RDI and it has been used also in building libraries, translation houses, educational institutions, building medical schools, keeping pace with scientific progress in the region, and in the Western world. So Awqaf can be used not only to provide immediate necessities to the poor, but also to create or strengthen business support institutions that can lower the cost of doing business for the poor by using science, technology and innovation. Awqaf can also be used to support and build scientific researches institutions that can help to reduce the cost of doing research and to improve the creation of the know-how. Today we want to restore the developmental role of Waqf.

The aim of this paper is to clarify the concepts related to each of the Islamic Waqf and sustainable development, as well as to highlight effective role drawn out by institutions of Awqaf to achieve overall development of the countries and identify the impact of Waqf on socio- economic development by viewing the UAE experience in the conduct of Awqaf.

Keywords: Islamic Waqf, sustainable development, science, technology, innovation, The conduct of Awqaf, UAE.

Sharing Islamic Finance Principles and Procedures to Enhance Economic Cooperation between Islamic Countries: The Malaysian Model

Sheila Ainon Yussofⁱ

Abstract

Islamic finance is more than just ensuring the practice of “interest-free” banking and avoiding uncertainty (*gharar*) and speculative (*maysir*) ventures. It promotes entrepreneurship, or participative financing, as “God has permitted trade, and forbidden interest” (Quran: 2:275). The economic relations of Muslims are further governed by *ukhuwah* as Muslims are enjoined to “prosper thy neighbours” in the spirit of mutual help and cooperation. It is not based on “survival of the fittest” nor on self-serving or selfish behavior. In this research it is shown that Islamic finance has the potential of being a vehicle to enhance economic cooperation and promote unity amongst Islamic nations, including nations with Muslim minorities. Recognised globally as a “Game-Changer”, Islamic finance has established New Rules (ethically and morally grounded principles based on Islamic or Shari‘ah law); New Behavioural Patterns (God or *Tawhidic*-centric and human-centric based on *Tawhidic* unity); and advocates Universal Principles of justice, equity and good conscience which appeal to humanity. Islamic finance today has proven to be a viable alternative to conventional finance with a track record of being a 2 trillion-dollar business. Malaysia has comprehensively defined Islamic finance to encompass the following principal activities which are underpinned by Shari‘ah Law and Principles: Islamic Banking, Islamic Capital Market, Islamic Insurance (Takaful), Islamic Wealth Management, Corporate Waqf and the Halal Industry. These components or sectors are now regarded as the new “Engines of Growth” for the Malaysian economy. As trading nations depend on local and foreign investments for them to grow or expand, it is shown in this paper that Malaysian investments on Sukuk and the Halal industry in Thailand (a minority Muslim country) have helped to alleviate poverty amongst the poorer Muslims in the southern parts of the country. It has helped Thailand to socially integrate their people, leading to political stability in the region. If Islamic finance core principles are implemented sincerely, it will provide the Islamic benchmarks for a New Socio-Economic Order which prevents exploitation, monopoly, bribery and corruption, excessive spending and hoarding of wealth; and where it places a high value on honest and transparent dealings, profit and loss sharing; risk-sharing; and where every Muslim is mandated to respect the sanctity of contracts. It is recommended that for Muslim nations to prosper under an Islamic Union through Islamic finance principles and procedures, it has to remove restrictions to trade such as unequal taxation or other trade and financial barriers. A level playing field needs to be created amongst its members for cross-border trade and financing to be competitive and less costly. Lastly, a Global Waqf Fund or International Waqf Bank should be set up by the Union to alleviate poverty in underdeveloped Islamic countries and give needy entrepreneurs and students greater access to funds for start-ups and scholarships respectively. If Muslims in an Islamic Union are economically empowered, it will accelerate economic growth, social progress and socio-cultural evolution among members. Equitable treatment of stakeholders will lead to social justice which encourages pragmatic and not

fanatical behaviour or extremism, and protects regional peace and stability and provides a fertile ground for differences to be discussed peacefully.

Keywords: Islamic finance, game-changer, unifying factor, Islamic benchmarks, new socio-economic order, alleviation of poverty, economic empowerment, social progress, socio-cultural evolution, engines of growth. regional peace and stability.

ⁱ Profile of Dr. Sheila Ainon Yussof

Dr. Sheila Ainon Yussof has a multidisciplinary background and diverse industry experiences. Her first degree was in social science (political science major) at the Universiti Sains Malaysia where she received a Bachelor of Social Science with Honours in 1976. In 1989 she went on to read law at the University of Buckingham (UK) and obtained an LLB with Honours and thereafter, was called to the Malaysian Bar in 1995. She also holds a Post-Graduate Diploma in Shariah Legal Practice and a Master's degree in Comparative Laws from International Islamic University Malaysia (IIUM). In a move to diversify her Firm's legal services, she pursued an industry-based master's degree in Islamic finance in 2011 at INCEIF (a global university established by the Central Bank of Malaysia) which qualifies her to offer Islamic finance services and consultancy as a Chartered Islamic Finance Professional. In 2015, she was awarded a Doctorate in Islamic Banking and Finance from the IIUM Institute of Islamic Banking and Finance (IIiBF) and subsequently offered an Assistant Professor post at IIUM. After a short stint in academia, she was offered a partnership at a law firm with Messrs. Murali B. Pillai & Associates in March 2018. In her more than thirty years of working experience, she has thirteen (13) years of legal practice; and eleven (11) years of corporate experience (human resource management) with Motorola, Hitachi and Island & Peninsular Bhd. She was also a professional headhunter and management consultant for three (3) years; a communications specialist/lobbyist for the tobacco industry for three (3) years; policy researcher with an international think-tank organization (IAIS Malaysia) for five (5) years; and academia (lecturing, research and publications, international collaboration and internship program for students) for three (3) years. She has served as a director on board a fully-owned subsidiary of a public-listed infrastructure development company in 1988 (7 years). Due to her passion in education, she continues to teach IIUM undergraduates on a part-time basis on 'Legal Aspects of Islamic Finance' and 'Company Law'. She is a listed trainer-mentor with the International Malaysian Training Centre on 'Corporate Governance for Lawyers', and facilitator for 'Business and Company Law' for the Malaysian Institute of Accountants Qualifying Exams. Her areas of expertise include legal advisory on corporate and industrial relations matters; Shariah advisory on family, inheritance and trust laws (waqf); Islamic banking and finance law with a focus on legal and regulatory framework, corporate and Shariah governance, risk management for Islamic banks and takaful companies, Shariah audit and accounting, Islamic capital market; entrepreneurship development (SMEs) and block-chain technology. She is a Ministry-certified women board director and patent agent and currently a nominee shareholder for a three-time Emmy Award winning visual effects and animation company which owns production studios in Beijing, Los Angeles and Malaysia. Her other skills include

creative artwork and reviewer for journal and book publications. She has published two books on *Islamic Transactions and Finance: Principles and Development* (Current Law Journal publication) and *Empowerment of the Family Unit: A Survey of Issues and Policy-relevant Recommendations* (IAIS publication) and edited a book on *Conversion in Malaysia: Issues and Reform Proposals* (IAIS publication). She has presented several papers at international conferences and published more than twenty articles in internationally refereed journals on topical issues related to waqf, takaful (audit and GST implications), Islamic securitization (rating of sukuk), Shariah compliance and governance, internal Shariah audit, the new Islamic Financial Services Act 2013, entrepreneurship development in Malaysia, cross-border trading and taxation issues, cryptocurrency and quantitative studies on Shariah stock index. She is a member of the International Council of Islamic finance Educators (ICIFE@IIUM) as well as the Chartered Institute of Islamic Finance Professionals.

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