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**THE ETHICAL DIMENSION IN AN ISLAMIC ECONOMIC SYSTEM**

The ethical dimension in an Islamic economic system starts with an explanation of the world economic order.

The world is passing through a phase of transition in the global political, economic and social structures with changes in the framework of what some call the "New World Order." Others believe that such a move towards change after the end of the Cold War involves "disorders" causing political upheavals, ethnic problems, economic blocs, problems in the movement of capital, trade and labor, monetary and financial challenges, environment destruction and many others.

This is not a surprise, as we lived for decades with manmade political, economic and social ideologies. Statesmen, economists and academics have spent so much thought and time to defend one of the various systems of "isms" mainly the capitalist liberal free market society on one hand and the socialist totalitarian, bureaucratic, central system of government with its various degrees of applications on the other.

Differences between these two systems have occupied hundreds of books, articles, symposiums, seminars and conferences. I think all of us lived through that, in our theoretical studies as well as in our practical lives, and discussed what was behind these differences. We questioned the objectives, the concepts, the rules of behavior and the systems of applications. Indeed, some of us say that some of these systems were the result of power politics, especially between the two superpowers, the USA and the USSR.

During the Cold War, which lasted over 45 years, since the Second World War, billions of funds have been spent on building the military power which could bring about an equilibrium between the two groups of power, the West and the East. Such programs of action deprived the people of the eastern countries of a higher rate of growth than was achieved, particularly in the West.

If we agree that the objective of whatever system advanced is in the welfare of the people worldwide, one is shocked with the results which have been expressed in a world Report of the United Nations on Human Development. It shows that not only is the gap between the standards of living for people of highly industrialized and underdeveloped

countries so great, but also within one nation the gap may be more striking, especially in the so-called Third World countries.

The per capita income rose up to over 13,000 US\$ in the highly developed countries, and went down to 300 US\$. This is a result of the two systems, whether they are capitalist or socialist.

This brought about a number of reactions, movements, and confrontations which we are living with until today: We witness political movements in some of the countries against the West, especially in the Third World, social instability, ethnic movements, and religious fundamentalism and radicalism, economic blocs and a rise of voices for action to "save the earth." The search for a way towards the salvation from human evils through going back to religion, starts to gain momentum. There is a call in the Islamic world for adopting the rules of jurisdiction in Islam as the best way for a better and equitable way of life.

On the other hand there are studies which show that we are entering an era which will witness a clash between civilization. This is advanced by Professor Samuel P. Huntington in which he stresses the importance of national integrity as it is embodied in the main civilizations of the world. His hypothesis stems from the "fundamental source of conflict in this new world which will not be primarily ideological or primarily economic, but rather will be cultural. The principle of global conflicts will occur between nations and groups of different civilizations including seven major civilizations. Among them is Islam, Christianity and Confucianism. He expects that there will be definitely a conflict or a clash between these civilizations. They will be interacting with each other, having different views on the following:

- The relations between God and man
- The individual and the group
- The citizen and the state
- Parents and children
- Husband and wife

Their views will also differ concerning the relative importance of rights and responsibilities, liberty and authority, equality and hierarchy.

It is my belief that Professor Huntington's hypothesis may be partially true by the new moves in various parts of the world, not only against religions but also between religions, and even within one religion. We can quote a number of cases at the moment: In India and Pakistan, in Bosnia and Serbia, in Ireland and in different parts of the world.

It is my conclusion that whatever changes are taking place in the modern world of today, there is a dominating world order taking shape, backed by the United States and the West, with partial participation of the United Nations. Although no real complete system of what is called the New World Order has evolved yet, one might say that the structure of the New World Order has certain objectives and characteristics:

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1. Establishing a free society in which human rights are to be respected, democracy should be implemented, a free market economy with a powerful private sector should dominate business behavior. The basic human needs should be satisfied. The environment should be preserved, and a clean, pure conduct is regarded as essential to form a better world in which nations and people should cooperate for the cause of peace, prosperity and welfare.
2. People are stressing the need for the definition of their identity and integrity. Developments are taking place now, particularly in Eastern Europe, as everybody wants his own boundaries, his own nationality, his own culture, and his own sovereignty.
3. The voice of the "have nots" has to be listened to in a world where the rich are becoming richer and the poor are becoming poorer.
4. There is a continuous call for a program of action to help satisfy "basic needs," and that is why everybody is calling for social economics, social development, and social equilibrium. In most of the papers we are reading, in most of the articles, those "have nots" are trying to have at least a voice, but the results are so far limited. It is my belief that the "have nots" should not depend on voluntary aids, but that we should have a sort of global fund, not to meet crises, but at least to meet the needs of the "have nots," starting from the level of nations, then to the region and finally to the world at large. The rich have to contribute to the poor.
5. New formations of "groups of nations" with self-interest have been shaping in the last four decades. Some say that we are confronting fortresses in Europe, in the Americas and in Asia. The underdeveloped and the developing countries have so far failed to achieve such objectives due to lack of cooperation, coordination or integration. So theoretically living in a free society involves the implementation of the free ideas not only within one nation but within a region and at least worldwide.
6. In the move towards global, regional, national reorganization, there are major changes in the role of public institutions in this new trend in which the role of governments and private sector and NGO's should be clearly defined. The government should concentrate on the functions of sovereignty, security, justice and general policies, etc. The government should stay away from business. As to social justice, the government, the private and the NGOs each should play an active role within a framework of justice.
7. The role of multinationals is one of the very important aspects of the modern economic order. There are three circles in which each has to play. Mergers and economic conglomerates are becoming major movers of capital, technology and trade to the extent

that three main industrial countries/groups -- the USA, Japan, and the European Community -- control three-quarters of the overall global direct investment. They monopolize the moving of capital and trade, making it difficult for other countries to find their way through. There is a heavy competition between the Eastern bloc, the Middle East, and the new reformed republics of the Soviet Union.

8. The role of government and public sector corporations in the newly reformed countries should be minimized and controlled. Experiences of privatization in a number of countries according to adjustment programs of the IMF and World Bank are taking place with its successes and failures to encounter social difficulties. The establishment of social funds to meet the problems of adjustment programs is taking first priority.
9. The new global economic order depends largely on sophisticated technological developments usually monopolized by the rich and highly industrialized countries, thus widening the gap of development and growth between these countries and Third World countries which cannot afford to compete nor even have the means to pay for the technology transfer. Furthermore, we know that education and research systems in these underdeveloped countries are lagging behind any reasonable standard which can help development and growth.
10. With changes in the post-Cold War era, a phenomenon is accelerating in the newly reformed liberal countries as well as in most developing countries. The developed countries are not excluded. The problems of corruption, crime, violence and extremism are posing serious problems to the governing bodies and as such, there is a move towards the establishment of a code of ethics stemming mainly from religions and behavioral sciences. If we go deeply in the holy books, we will find so many verses in the Qur'an, the New and Old Testament and other scriptures, concerning this grand creation, "the human being," the maximization in the use of material and financial resources and finally the implementation of the ideals of a perfect society in which peace, freedom, and justice should prevail.

Freedom, liberty, fraternity, equality and justice are important axioms sacred in Islam. The Qur'an stated openly the divine message of universal cooperation. "O people (mankind). We have created you, male and female, and have made you nations and tribes that you may know one another. The noblest of you, in the sight of Allah, is the best on conduct. Allah knows and is aware."

That is the axiom on which universal cooperation of mankind is based. In this universal message of Islam, the message of God concentrates on the fundamental principle of conduct as part of the ethical dimension of behavior in all aspects of life: political, economic, social or even cultural. But this cannot be dealt with apart from our beliefs. Manmade systems of governing or management of our societies have not achieved the

objective of peace. We cannot take only the divine rules but we have to take into consideration the institutional structures developed over the ages which do not contradict with these rules or principles.

Let me expose the main framework behind Muslim ethics, as advanced in the Qur'an and the teachings of our Prophet Mohammed. This can be summed up in five elements:

1. Belief which embraces all matters of faith. In Islam we cannot talk about economic ethics unless we talk about belief and faith.
2. Practical devotion which includes all matters of practice.
3. Deeds of the individual, the family at large.
4. Moralities
5. Accountability

Faith in Islam is related to unity, the Oneness of God, belief in his angels, his prophets and the day of judgment. This concept contains and leads to the concept of guidance, responsibility, and accountability depending on the understanding of what is right and what is wrong.

As we are the receptacles of the truth, we must reflect His glory. It is our duty to reflect the glory of God in all our worldly manifestations.

In the Qur'an it is said, "We shall show them our portenance of their own horizons and within themselves until it will be manifested onto them that it is the truth."

As we are the viceroys and trustees, the concept of oneness stresses the integration of the political, economic, social and religious aspects of man's life into a homogeneous whole. We cannot take one part and leave the other.

As we as Muslims believe in one God, we should stress the relations between individuals and nations all around the world. Islam is categorically universal, equally applicable to any people in any part of the world. It is vital not to confuse any cultural manifestation of Islam with Islam itself. The Qur'an stresses the fact that we have to know each other, and the best are those who are the most faithful.

Devotion in Islam can be divided into the recital of the creed, prayer to God, paying the legal Zakat (tax) and the voluntary alms, fasting, and pilgrimage to Mecca once in a lifetime, if means allow. Undoubtedly, there are similar actions of devotion in Judaism and Christianity, including all these aspects of life.

Deeds relate to duties required and the responsibilities carried out between individuals which are usually included in the civil jurisprudence. We should understand that rules which are supposed to regulate human behavior can be understood on the model of cohesive command that creates obligations. We must distinguish between laws that are meant to describe irregularities in the natural world from laws that are capable of modifying their conduct accordingly. We differentiate between three types: divine laws, positive laws, and positive morality.

- Divine laws. We cannot do anything about them, we have to abide with them, they consist of rules for humans that are laid with them. They consist of rules for humans that are laid down by God. This type is supreme, its obligations are superior to others. It is meant to serve a general purpose.
- There are positive laws which are created by political superiors, rulers, such as the sovereign of the community, some person, or set of persons, habitually obedient to no other human.
- The third type is the positive morality which includes some rules that are specifically laid down but also include some guidelines that are not formally expressed or enforced but are determined by conversions of popular attitude and supported by informal social approval. Much of positive morality is what we might call customary convention. We build our customs and traditions which blend into society as rules. Positive law can be judged by either standard or the other.
- Moralities embrace the consideration of all those virtues which are enjoined in the Holy Book and in teachings of the Prophet, such as sincerity, confidence in God, humility, submission to God, resignation, keeping ambitions within bounds, giving good counsel and advice, contentment, liberality, patience, and a number of ethical instructions and rules of conduct relating to the behavior of individuals in everyday actions.
- Accountability includes rules for reward and punishment, some of which have to be implemented in life, while others are left to be accounted for on the day of reckoning. Islam stresses the direct relation with God, without mediators. All of us are equals in the eyes of God. They all benefit from the bounties of God, but their behavior shall be judged in the day of reckoning according to their belief, conduct, and deeds. Such divine message of accountability is exemplified in the day of reckoning. And so the Qur'an says, "And whoso doeth good an atom's weight will see it then, and whoso doeth ill an atom's weight will see it then." We have to take that into consideration when we talk about ethics and human beings.

To sum up, one should stress the fact that discipline enforcement doesn't contain in itself the final emotional power of commitment. Commitment to qualify objectives, the compliance with law and high ethical standards in any organizational achievement are inspired by pride more than material gains, such as profit maximization.

Ethics are not related only to the actual transactions of life but there is pride in executing the code of ethics. One writer on ethics in management presents three ways, or languages, towards business ethics that human beings can take up. These are summed up in: Doing right, being right, and knowing right.

Doing what is right is the language of behavior science. Religion by itself is not everything as there are sciences which embody in it codes of conduct, codes of behavior and codes of ethics.

Being right is the language of virtues embodied in scriptures. Knowing what is right is the language of ethical theory.

All these languages are interlinked and addressed in the divine books. Such ethics cannot be the exclusive domain of any particular language or perspective. And in the end, business ethics must give appropriate recognition of all three: knowing, doing, and being. They are true in a plan, and as such religions could be important sources of knowledge and understanding of society with all its complexities, whether related to the natural sources and the environment, the human capabilities and their proper participating in the society, the available financial resources which should be efficiently and fairly used, and finally, the scientific rules of management of all these resources.

Without a coordinated framework of religion, cultural, professional and other characteristics of economic activities which studies of ethics can draw upon, one cannot achieve the purpose of any study of ethics in economy. This, in my opinion, is the challenge which we are facing now in a modern economic society.

### **Islam and economic benefits to be rendered to human mankind**

Such ethical dimensions become more important when we deal with economics in Islam because such issues are concerned with the rights and duties of those implementing the economic system. Some believe that religion has nothing to do with economy, but if we take the principles from the Qur'an and the teachings of our Prophet, we can get a kind of economic order in Islam on which we can build ethics.

Undoubtedly the economic system deeply influences our values and structures, and the range of choices available to us. An ethical position in a situation often forces such a choice of a course of action.

On the other hand, the need may arise to restructure a situation in an economy to provide a more satisfactory climate for ethical decision making. Some ethical problems cannot be isolated from the facts of life or situations.

Now I will just take a few elements of the economic order in Islam and see how ethics can be related to them.

Islam sets an economic system which can provide as much justice as possible. It depends on certain axioms:

1. God is the creator.
2. We are his viceroys (agents). As we human beings have rights, we have certain responsibilities which we will be accounted for, not only in life, but also in the hereafter.
3. Islam invites people to harness all material and human resources for the promotion of virtue, justice and peace. Material progress is welcome, not for the sake of material

progress as such, but for the creation of a noble, peaceful and just society. It tends to seek salvation in this world and in the life hereafter. Prophet Mohammed said, "My mission involves all humanity." He also said, "My mission regulates religions and secular affairs, spiritual and physical sides of the individual, and the community."

4. Islam sets the law of investment in lawful activities which can benefit the society according to its needs and as such avoids any unlawful deeds, thus preventing getting into any activity which may violate the commandments of God or may involve any sinful action.
5. Islam encourages investment and inhibits any hoarding of capital so that it participates in the process of production and distribution on commodities and services which are needed for the welfare of people.
6. Islam stresses the efficient use of resources without extravagance or close-fisted spending. Moderation is a principle which dominates the way of life in Islam. This means decision-makers should take actions to prevent waste of all kinds and any inefficient use of resources, be they natural, material or human.
7. Islam encourages private ownership so that people can excel in their choices, manage their resources efficiently and control performance. Through fair competition they can achieve better results of productivity, efficiency and profitability. But it is essential that in every action of decision-making one has to make an ethical reasoning to each particular situation. In each decision one has to look to the ethical side of that decision, not only the economic, lucrative, or material secular one.
8. In carrying such responsibility one should observe the ethical rules of honesty truthfulness, and justice.
9. Islam emphasizes a free market system in which prices and wages are not controlled by the Government nor by certain powerful groups. The economic system as such depends essentially on free competition within a context of equality of rights and equality of opportunity. It is the responsibility of the ruler to prevent any such power groups from misusing their rights for their own benefit at the expense of others, especially in societies where people are living under the subsistence level. Certain regulations or codes of conduct can be developed in this direction.
10. Islam sets the rules for counseling and participation in decisions concerning their livelihood, and the necessity of sharing views of people with knowledge, research and technology. Basic education is a minimum right for all. The Qur'an contains a number of verses to that effect. How could you ask people to behave well while they are deprived of the ABCs of education? Probably nature can provide for part of the ethical behavior but education is very important for developing a clean society.
11. Islam stresses equal opportunity for all, products as well as services needed for a decent livelihood.
12. Islam stresses respect to each other and that everyone can excel in his own domain, and that we all depend on each other, sharing in labor, risks and results.

13. Islam promotes and encourages cooperation in achieving our personal objectives without violating those of others.
14. Islam bears no grudge against the rich so far as they give their dues to the poor through a system of "zakat" (tax), and "sadaqat" (contribution, aid).
15. Islam advances the principle and application of social justice in the society. One of the great pillars of our faith is Zakah, as a main basis to achieve the participation of the rich in the welfare of the needy and the poor.

### **Conclusion**

In conclusion, Islam since more than 14 centuries have advanced the free market system in society where ethics play an important role in fostering peace among the people and nations. Because of the importance of the subject now in modern life, some have already established a code of conduct for certain sectors of the business community and professions, not the least, for the multinationals. Even the UN has issued a code of conduct for multinational companies.

Voluntary abidement is far more effective if religious values become part of the way of living. We have to live by the ethical standards and values through voluntary actions, by agreement between people. But if we cannot, and if people cannot abide with them, then some sort of legal organization system has to be developed to enforce it, and account for its implementation, even if it entails punishment.

Some codes of ethics which have been presented so far include some of these rules. It is our hope that the developing new world order should include not only the material aspects of development but also the spiritual aspects which consolidates the integrity of the individual in a more liberal, free and democratic society. Islam as such means peace, peace with oneself, with those with whom we live and deal with, and the most important peace with the society in which we live. This is the eternal message of God on Earth. ■