

# Islamic conscious capitalism: a ‘Third Way’ in light of classical scripture

Samir H. K. Safar-Aly<sup>1</sup>

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**Abstract** The economic paradigm and framework advocated for in Islam is one that entails a unique combination of various socio-economic philosophies. This article advances the notion that Islam promotes a capitalistic economic model wrapped in its own garment of understanding—fashioned with threads of equity and stitched in patterns of benevolence and justice. This article examines the Islamic theological framework relating to the profit incentive and its spiritually-conscious methodology of capital procurement. The Qur’an contains around 370 references in regard to commerce, from which much of Islamic law relating to lending, banking and trading originates (Heck in Muhammad and the Arab roots of capitalism (Studien zur Geschichte und Kultur des Islamischen Orients)—Band 18. Walter de Gruyter, Berlin, p 5, 85, 2006). This article intends to explore the potential that these teachings have for an Islamic ‘Third Way’ (i.e. an Islamic contribution to economic philosophy and discourse that is in-between of, or an alternative to, both the purely individualistic primary concerns on prices, profits, and private property inherent in pure capitalism, and the purely communal command economics of communism, which often negates or discourages the promotion of self-interests). Part I of this

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Samir is a qualified Solicitor of the Senior Courts of England and Wales having trained in London. He currently practices as an associate at a leading international law firm’s Dubai (UAE) office, specialising in financial regulation (including sanctions and anti-bribery and corruption), banking, Islamic finance and asset management. Samir holds an LL.M. from the University of California, Berkeley and an LL.B. (Hons) from the University of Kent, Canterbury. Samir has written extensively on socially responsible investment (SRI) and environmental finance. Samir is also an Associate Member of the Chartered Institute of Securities and Investment (ACSI). Part of this paper was presented at a conference entitled ‘Economic Theology, Theological Economics’ held at the Libera Università Maria Ss. Assunta (LUMSA), in Rome on May 20–21, 2014. This paper reflects the personal views of the author and not necessarily those of any institution the author is affiliated with.

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✉ Samir H. K. Safar-Aly  
samirsafar@gmail.com

<sup>1</sup> PO Box 506688, Dubai, United Arab Emirates (UAE)

paper intends to introduce the reader to the various sources of Islamic ‘law’ and its scope. In doing so, the philosophical nature and objectives of the Shariah will become evident, through the exploration of specific theological economic teachings. Part II intends to study Islam’s theological attitude toward entrepreneurship and the profit incentive, as well as the concept of the potential for salvation through ethical profits. Part III explores, in light of classical Islamic scripture, the various prohibitions within the Islamic concept of the economy. In doing so, the paper shall explore how values and theories found in classical Islamic scripture have found contemporary application within the growing modern Islamic finance industry, for example, through Shariah ‘screens’ applied on market indices, such as the Dow Jones Islamic Market Index. Part III shall also explore Islamic edicts with regards to business practices, as well as environmental ethics. In doing so, Part IV concludes that there can indeed be such an Islamic ‘Third Way’, drawn along similar shared values found amongst other world religions.

**Keywords** Social economics · Islamic law · Conscious capitalism · Theological economics · Third way · Business ethics

**JEL classifications** A11 · A12 · A13 · A14 · B10 · B11 · B15 · B19 · K20 · K30 · K31 · K32 · K39 · N30 · N35 · N95 · N45 · P480 · P50 · P510 · Z12

## 1 Introduction into the Shariah framework

### 1.1 Sources and scope

Although frequently referred to as ‘Islamic law,’ the Shariah incorporates a far larger scope than what one may consider as typically falling within the common understanding of a legal system. It is comprised of a collection of theology, values, norms, rules and either mandatory or encouraged etiquette, meant to establish and maintain life in this world in balance with the realities that exist beyond the temporal order.<sup>1</sup> Consequently, it is intrinsically linked to a deeply embedded consciousness of eschatological and spiritual considerations and implications.<sup>2</sup> What is considered as the Shariah is indeed home to a vast collections of rules and legal principles pertaining to many subject matters, from business and finance, to environmental considerations and personal hygiene, as well as of course the interconnected matters relating to the spiritual well-being of the soul.

<sup>1</sup> Often referred to as ‘Islamic law,’ it has been advanced that what is understood as ‘the *Shariah*’ incorporates much more than law per se; the term ‘*Shariah*’ literally translates as ‘way’ or ‘path’—(Weiss 1998): ‘In archaic Arabic the term *sharī‘a* means “path to the water hole.” When we consider the importance of a well-trodden path to a source of water for man and beast in the arid desert environment, we can readily appreciate why this term in Muslim usage should have become a metaphor for a whole way of life ordained by God.’ I have decided not to use Arabic diacritics for this term since it is a word now in the English language.

<sup>2</sup> On Islamic eschatology, see al-Ghazālī (1989).

This understanding of 'law' appears to be somewhat different from what is often understood by the term 'Canon Law' in catholicism, albeit its already self-evident linguistic divergence and constraints in the English form of the term, when compared to the original Latin—*ius canonicum*.<sup>3</sup> 'Canon Law' has been described as governing the 'external order of the church, [and] the *public* life of the community of faith' (Cordien 2004) [emphasis added], and 'almost pertains exclusively to the "external forum," the arena of the church's public governance, as over against the "internal forum," the arena of conscience' (Cordien 2004). It has been advanced that 'theology' is a closely-related but 'distinct' (Cordien 2004) discipline within the Roman Catholic tradition, being primarily concerned with revelation and Church teachings, while not attempting to 'measure or compel personal conscience or moral judgments' (Cordien 2004). However, given that the *fundamental object* in both Catholic 'theology' and 'Canon Law' remain principally concerned with the 'life of the mystical Christ on earth' (Örsy 1965), they are indeed both parts of a somewhat indivisible understanding. Consequently, what could be understood as falling within the ambit of *both* 'theology' and 'Canon Law' is not too dissimilar to what could be considered as falling under the *scope* of the Shariah.<sup>4</sup>

The primary sources of the Shariah are first and foremost the Qur'an, followed shortly thereafter by the *Sunnah*. The Qur'an is believed by Muslims to be actual words of God as revealed to the Prophet Muhammad across his 23-year prophetic mission (Kamali 2003). The *Sunnah* (lit. 'custom'), the written record of which is termed '*ḥadīth*,' are the acts and sayings of the Prophet Muhammad which include actions that have been either approved, disapproved or recommended, along with reports that describe his behavior and character (Nyazee 2004). Applying methods of hermeneutics and logical and legal reasoning (a discipline termed in Arabic, *uṣūl al-fiqh*) (Jackson 1996)<sup>5</sup> to the texts of the Qur'an and the *Sunnah*, Muslim jurists across time have derived and continue to derive detailed practical rules in the form of jurisprudence (known in Arabic as *fiqh*) from the sources of the Shariah (Ali 2009).<sup>6</sup>

## 1.2 Nature and objectives

There are of course many aspects to the deep and extensive world of Islamic jurisprudence. However, on the most macroscopic scale, Islamic jurisprudence and law are arguably principally divided into two main categories: (a) those

<sup>3</sup> See Cordien (2004) for a detailed discussion on the linguistic differences between the meaning of *ius canonicum* and 'Canon Law'.

<sup>4</sup> For an in-depth comparison between Islamic 'law' and Canon Law, see Movsesian (2010).

<sup>5</sup> Translating '*uṣūl al-fiqh*' as 'Islamic theoretical jurisprudence.'

<sup>6</sup> Certain classical Islamic jurists have translated the term '*fiqh*' as 'the understanding of the speaker's intention' or 'the perception of concealed meanings' - i.e. '...to grasp successfully the intentions of Allah and His Prophet via the Qur'an and *Sunnah*.'

relating to the worship of God (*'ibādāt*) and (b) those relating to interactions between and amongst humans and the balance of creation (*mu'āmalāt*) (Moghul and Ahmed 2003).<sup>7</sup> This categorization mirrors the dual nature of humans, as understood within Islam, as beings having *both* temporal and transcendental components. Generally speaking, different rules govern the derivation and application of law in *'ibādāt* and *mu'āmalāt* (Zysow 2013; Kamali 2001).<sup>8</sup> That being said, as shall become apparent, acts and rules focusing on purely worldly transactions are indeed intrinsically linked and embedded to acts relating to the devotion of God, including the world of commercial transactions, in an interplay between the temporal and transcendental—a platform that the Muslim will have to inevitably circumnavigate.

The 'objectives' of the Shariah are known in Arabic and classical Islamic literature as the *maqāṣid al-Sharī'ah* (Kamali 1999). These objectives further a holistic 'integrated code of life' that encompasses all aspects of living (Dusuki and Abdullah 2007). The great classical Persian Islamic scholar, jurist, theologian and philosopher, Imam al-Ghazālī (d. 1111 CE) defined the objectives of the Shariah as promoting the well-being of all humanity in relation to safeguarding: (a) faith (*dīn*); (b) human life/souls (*naḥs*); (c) intellect and/or reason (*'aql*); (d) family or progeny (*nasl*); and (e) wealth (*māl*) (al-Ghazālī 1904; Kamali 2008). Actions and policies within the Shariah framework must be in furtherance of the protection of the aforementioned objectives, and work towards what is classically referred to as the 'common good' (*maṣlahah*) of the Shariah (al-Raysuni 2005).<sup>9</sup> Imam al-Ghazālī defines the concept of *maṣlahah* as protecting the objectives listed above in order to attain the welfare of human beings (al-Ghazālī n.d). The medieval Andalusian Islamic jurist al-Shāṭibī (d. 1388 CE) similarly defines the concept of *maṣlahah* as one that concerns the protection of human life and one's livelihood (Hallaq 2004). Consequently, in turning to the focus of one's livelihood and wealth (*māl*), the Qur'an, as well as recorded sayings of the Prophet Muhammad (*ḥadīth*), may provide guidance in terms of the Islamic approach to the profit incentive and the procurement of capital.

<sup>7</sup> Stating: 'It suffices to say that, generally speaking, the legal rules of the *'ibādāt* cannot necessarily be rationalized in the same manner as can those of the *mu'āmalāt*. In contrast to the *'ibādāt*, the *mu'āmalāt* constitute a mutable and dynamic body of law, pliable within the bounds of the Shariah to the existential and material realities of human life in this world.'

<sup>8</sup> There are arguably separate elements of the Shariah regarding crime and punishments (*Hudūd* and *Jināyāt*), being in relation to the major offenses such as, among other things, theft, and robbery and brigandage (*ḥirābah*)—see Nyazee (2010).

<sup>9</sup> Stating: "'Benefit" and "harm" as defined in the context of objectives of Islamic law are based on a specific concept with its own unique distinguishing features. The benefit spoken of here is not, for example, simply the gratification of impelling desires or short-lived caprices.' See also al-Raysuni (2005), adding: '[N]on-material forms of benefit and harm are, without a doubt, included in the aforementioned definitions... The essence of benefit, then, is pleasure and enjoyment, be it physical, emotional, mental or spiritual, while the essence of harm is pain or suffering, be it physical, emotional, mental or spiritual.'

## 2 Islamic attitudes to entrepreneurship

### 2.1 Trade, merchants and profit

As Muslim centers of power grew from Mecca and Medina to Damascus and later Baghdad, Cairo and Cordoba, the Islamic world developed, consolidated and utilized existing trade networks, on land and on sea, as far wide as West Africa and Korea during the European Middle Ages (Kennedy 2008; Lapidus 2002; Israeli 2002; Lee 1991). Baghdad alone, founded as the administrative capital of the Abbasid Caliphate in 762 CE, is reported to have catered for some 31 separate external sources of merchandise via land and maritime routes, such as the Khurasan Highway and the Silk Road (which were connected to further trade networks such as the Musk Route with Tibet and the Frankincense Trail with Oman), as well as links to ports in East Africa, India and China (al-Jāhiz 1966). In turning to their holy book for answers, relating to the Qur'an and *ḥadīth* literature for answers, Muslims sought answers and of course reconciliation between the temporal living and transcendental understanding.

It appears that the Qur'an may indeed contain an economic theological philosophy that may arguably be purported to encourage and support 'capitalistic' enterprise, at the same time as invoking the need for spiritual reflection:

*Surat al-Raḥmān* (55), *Āyāt* 10–13<sup>10</sup>:

It is He Who has spread out the earth for (His) creatures: Therein are fruit and date-palms, producing spathes (enclosing dates); Also corn with (its) leaves and stalk for fodder and sweet-smelling plants. Then which of the favors of your Lord will ye deny?

*Surat al-'Arāf* (7), *Āyah* 74:

Ye build for yourselves palaces and castles in (open) plains, and carve out homes in the mountains; so bring to remembrance the benefits (ye have received) from Allah, and refrain from evil and mischief on the earth.

*Surat al-'Imrān* (3), *Āyah* 14:

Fair in the eyes of men is the love of things they covet: women and children; heaped-up hoards of gold and silver; horses branded (for blood and excellence); and (wealth of) cattle and well-tilled land. Such are the possessions of this world's life; *but in nearness to Allah is the best of the goals (to return to)*. [emphasis added]

Given these more general tenets for resource utilization entwined with a remembrance of blessings from God, it appears that the profit motive concept is one that is deeply and evidently imbedded within Islamic principles:

<sup>10</sup> The Qur'an is composed of 114 *Surahs* (lit. 'scripture') or chapters, divided into a varying number of *Āyāt* (lit. 'signs'—sing. *Āyah*), or verses (ranging from 3 to 286). Each *Surah* has a name attached to it. I have included both the name of each *Surah* and the *Surah* number for ease of navigation should the reader wish to refer to the sources directly. I shall be quoting from the following edition of the Qur'an—The Holy Qur'an: English Translation and Commentary, Ed. Ali, A.Y (Wordsworth; London, 2001).

*Surat Fāṭir* (35), *Āyāt* 29–30:

Those who rehearse the Book of Allah, establish regular Prayer, and spend (in Charity) out of what We have provided for them, secretly and openly, *hope for a Commerce that will never fail*: For He will pay them their need, nay, He will give them (even) more out of His Bounty; for He is Oft-Forgiving Most, Ready to appreciate (service). [emphasis added]

*Surat al-Jumu‘ah* (62), *Āyah* 10:

And when the Prayer is finished, then may ye *disperse through the land, and seek of the Bounty of Allah*: and celebrate the Praises of Allah often (and without stint): that ye may prosper. [emphasis added]

*Surat al-Najm* (53), *Āyāt* 39–41:

That man can have nothing but what he strives for; *That (the fruit of) his striving will soon come in sight*; Then will he be rewarded with a reward complete. [emphasis added]

Therefore, upon a reading of the above Qur’anic verses, it would appear that both the profit incentive and private business enterprise are encouraged and promoted in Islam, in a demonstration of the circumnavigation and interconnectedness between two key elements of the Shariah (a) *mu‘amalāt* (worldly transactions) and (b) *‘ibādāt* (worship/transcendentalism).

## 2.2 Salvation through business

In light of the above, it would appear that capital generation within Islam is required to occur *within* the context of Islamic law and ethics, in a theological economic framework, in order to incur ‘blessings’ (*baraka*) from God and thus be ‘permitted’ (*Ḥalāl*) capital, as opposed ‘spiritually unclean’ or ‘prohibited’ (*Ḥarām*) capital. It may be a rather constricted approach to fit the Islamic business model within a *purely* capitalistic context such as the one we have in our current world order. Indeed, if one defines capitalism as a system *purely* driven and based around the generation of capital, then one would find themselves ignoring the key tenets that sanctions the Islamic call for business enterprise—ethical consciousness and remembrance of and closeness to God, as per the aforementioned Qur’anic edicts. However, it is this element, creating a paradigm of *conscious* capitalism, which ‘cleans’ business from an Islamic perspective, in order to allow profiteering as an economic blessing from God. Teachings from the Prophet Muhammad in the form of recorded, verified and authenticated *ḥadīth* literature highlight this very point:

If you make profit from what is permitted, it is like *jihād* (a struggle against evil/sin); and if you use it for your family it is like *sadaqa* (charity) (Zayd 2009)

‘*Jihād*’—a phrase wrongly attributed to violent ‘holy’ war with militant characteristics—is more a reference to a holy mandated struggle for humanity, to fight selfish temptations, to stand up for justice, to be considerate to those surrounding us, whether it be our neighbors, our fellow members of humanity, animals or even the environment. Primary Islamic law places a mandate on Muslims by curtailing their abilities and

temptations to maximize capital production, for example, through avoiding the use of factories with poor worker conditions or those that employ trafficked laborers. Fighting the temptation for the pursuit of 'pure-profit' by circumnavigating to spiritual transcendental considerations, in order to arrive at a more equitable means of capital generation, is indeed what is envisaged by the Islamic theological economy. It is this consideration, as to the capital procurement methodology, that will be paramount to a struggle, a '*jihād*', against what is considered in Islam as 'prohibited' (or *Ḥarām*) and deplorable business practices. The generation of spiritually clean (or *Ḥalāl*) money, 'free from sin' and the spending of this clean money on social benefits, even on food for one's family, appears to be considered as '*sadaqa*' (charity).<sup>11</sup> The importance of the '*sadaqa*' concept for a Muslim, as highlighted in the Qur'an, is vital to understand the Islamic perspective in regard to this:

*Surat al-Hadeed* (57), *Āyah* 18:

For those who give in charity [*sadaqa*], men and women, and loan to Allah a Beautiful Loan, it shall be increased manifold (to their credit) and they shall have (besides) a liberal reward (i.e., Paradise).

This is further emphasized by a *ḥadīth* of the Prophet Muhammad, who is attributed to saying:

*Sadaqa* extinguishes sin as water extinguishes fire.<sup>12</sup>

Therefore, within the Islamic framework, for a merchant or banker to pursue that blessings of God and seek *sadaqa* (charity) through merciful acts, such as through spending money on his family or charity, he/she must endeavor to make their business profits 'clean.' Several *ḥadīth* demonstrate the Islamic approach to commerce and entrepreneurship, as recorded and preserved by Islamic jurists, which emphasize the historical significance on such principles throughout the Islamic historical experience:

To seek *lawful gain* is the *duty of every Muslim*; When you have finished your morning prayer (*Fajr*), do not rest until you have earned your livelihood; The Best of works is lawful gain; *To seek lawful gain is Jihād* (struggle against evil/sin); the *best of gain is from honorable trade* and from a man's work with his own hands. (al-Hindī 1998) [emphasis added]

Merchants are the messengers of this world as well as the trusted servants of Allah on earth. (Heck 2006 citing al-Tirmidhī 1874)<sup>13</sup>

<sup>11</sup> al-Nawawī, Abū Zakarīā Yahyā Ibn Sharaf (d. 1278 CE), *Riḥāḍ as-Ṣāliḥīn* (*The Meadows of the Righteous*), 'Spending on One's Family'. <http://www.sunnipath.com/library/Hadith/H0004P0036.aspx>. Last accessed May 19, 2014, *Ḥadīth* No. 293: 'When a man spends on his family and sincerely hopes to be rewarded for it, it is *sadaqa* [charity] for him.'

<sup>12</sup> al-Tirmidhī, Abū 'Īsā Muḥammad ibn 'Īsā ibn as-Sulāmī ad-Dhirīr al-Būghī (d. 892 CE), *Sunan at-Tirmidhī* (*The Correct Ḥadīth collected by at-Tirmidhī*), *Ḥadīth* No. 2541. <http://www.scribd.com/doc/16768046/Jami-a-Tirmidhi-Sunan-alTirmidhi>. Last accessed April 20, 2011.

<sup>13</sup> This is in contrast to the majority opinion of Medieval clerics in Western Europe, writing around the same time and even as late as the mid-1200s CE. For example, Saint Guidon of Anderlecht, who had a former life as a merchant himself, writing in the late 900s CE went as far as to equate merchants not only with spiritual ignorance, but also as ministers of the devil (*diaboli ministrorum*) (Stiltingo et al. 1868).

The *truthful trustworthy* merchant is with the Prophet (pbuh), and with the people who speak only the truth and the martyrs (on the Day of Resurrection).<sup>14</sup> [emphasis added]

Consequently, what we appear to witness within Islamic economic jurisprudence is a spiritual marriage between the medieval Christian division of *Caritas* and commerce, arguably offering the potential for salvation through ethical and spiritual consciousness in both profit procurement and the profit incentive. In understanding what is spiritually prohibited within Islamic finance transactions and Islamic business, we may get a better picture of what an Islamic ‘Third Way’ may look like.

### 3 Prohibitions and ethics within the Islamic theological economy

#### 3.1 Usury

In its mandate to create a more equitable and just socio-economic society, Islam, just like Christianity,<sup>15</sup> had to address within its framework of theological economics what it considered to be one of the utmost economic crimes in the marketplace—usury (*ribā*). The Qur’an holds that the charging of usury is not only unjust enrichment, but also a practice that is considered to be a major sin (*Harām*), warranting severe eschatological repercussions:

*Surat al-Baqarah (2), Ayāt 275–281:*

Those who devour usury will not stand except as stands one whom the Devil by his touch hath driven to madness. That is because they say: “Trade is like usury”, but *Allah hath permitted trade and forbidden usury... Allah will deprive usury of all blessing, but will give increase for deeds of charity... O ye who believe! Fear Allah and give up what remains of your demand for usury, if ye are indeed believers.* [emphasis added]

Consequently, the prohibition on the charging of usury appears to be one of the key features in defining Islamic theological economics. However, this does not appear to

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Footnote 13 continued

Similarly, in the twelfth century CE Biblical commentary compiled by Herrad of Landsberg (d. 1195 CE), *Hortus Deliciarum (Gardens of Delight)*, on certain verses dealing with economic activity (such as Matthew 22:12–13; Mark 11:15; Luke 19:45–46; and John 2:14–16), the trader/money-lender is depicted with scales and labeled as ‘*Judas mercator*’; the usurers were expelled from the temple by Jesus because ‘they put their hopes in riches and wanted money to triumph, rule and dominate, which is a travesty of the praises celebrating the Kingdom of Christ on earth’—(Cames 1971; Herrad of Landesburg 1979). Through extensive research, it is my opinion that the reason why these attitudes prevailed was because of merchants being heavily engaged in usury, as opposed to business per se.

<sup>14</sup> al-Tirmidhī, Abū ‘Īsā Muḥammad ibn ‘Īsā ibn as-Sulāmī ad-Dhirīr al-Būghī (d. 892 CE), *Sunan at-Tirmidhī (The Correct Ḥadīth collected by at-Tirmidhī)*, Ḥadīth No. 1213. <http://www.scribd.com/doc/16768046/Jami-a-Tirmidhi-Sunan-alTirmidhi>. Last accessed April 20, 2011; and Ibn Mājah (2007b): “The trustworthy, honest Muslim merchant will be with the martyrs on the Day of Resurrection”.

<sup>15</sup> Deuteronomy 23:19, Exodus 22:25, Pslam 15:5, Leviticus 25:36, Nehemiah 5:10, and Ezekiel 18:13, 17, and 22:12.



be the only proscription within the Islamic economic framework, and many further market prohibitions appear to be evident, primarily through the teachings of the Prophet Muhammad from *ḥadīth* literature.

### 3.2 Further market prohibitions

If an item is illegal and impermissible within Islam, the selling of it is equally unpermitted—this would extend to items such as alcohol products, pork meat/pig products and stolen goods, just to name a few (Abū Dāwūd 2008). Furthermore, from Islamic legal literature, there appears to be a prohibition on selling something one does not own yet. There are ample *ḥadīth* addressing issues like the prohibition on selling items that have not yet become available (let alone not owned) and the delivery of which is potentially doubtful (*bay' ul-gharar*). Practices such as prohibiting the selling of a she-camel's unborn offspring (Muslim 2005) or fruit before they ripen and pass the danger of suffering from blight (Muslim 2005), serve as the basis for why modern *shariah*-compliant funds and banks are restricted from trading on the modern futures markets.

If we look at the modern banking industry more broadly, several financial products are simply repackaged mortgage debt repayments from individuals with very little equity in their property and with poor credit ratings. Once bundled together with higher-ranked financial instruments, in a process known as securitization, they are often given a high credit rating (Faux and Shenn 2011), which would macroscopically negate the threat of non-payment and financial insecurity. The crisis of the credit markets the —'Credit Crunch'—which started in late 2007, proved the naturalistic fallacy of this model, with billions of US dollars being lost, government's loosing capital through bank bailouts that would have otherwise been spent on social development, pensioner's loosing the security of their lifelong investments on the account of pension funds investing in risky vehicles in the financial markets, and an overall severely damaged economy. Within the Islamic concept of the economy, money only becomes *capital* once it is actually invested, into projects, labor, assets or equity. Therefore, within the Islamic concept of growth in the *financial* economy, there *must* be investment in projects, assets, equity-based holdings, venture capitalism and labor, and thus growth, in the *real* economy, both of which become intrinsically connected. Consequently, it would not be possible under an Islamic economic paradigm for a situation such as that of Lehman Brothers in 2008, which saw USD 50 billion being whipped off the balance sheets, literally over the course of a weekend (Zingales 2008). What Islamic theological economics tries to create is a more just and equitably-based system—how this is applied toward the modern trading in financial products is an ongoing process of understanding.

### 3.3 The Dow Jones Islamic Market Index (DJIMI)

The size of the modern Islamic finance industry has been estimated to be around USD 2 trillion (Malone 2014). Earlier on in the industry's history, in 1993, Dow Jones and Company, Inc. decided to establish an Islamic equity index. In order to do

so, it decided to create Shariah ‘screens’ to filter out equities that did not comply with an Islamic criterion. With several leading Islamic clerics working on the screen formulation, by 1998 the Dow Jones Islamic Market Index (DJIMI) was ready, being a huge development in the Islamic finance industry.

Taking the above-mentioned Islamic prohibitions on the market economy, the screens utilize much of the scriptural and theological framework discussed, in filtering out impermissible (or *Harām*) industries. Within the DJIMI framework, these include industries such as alcohol, tobacco, products derived from pork, the arms industry, conventional interest-bearing finance as well as entertainment (including pornography, gambling and music). In addition to filtering out certain industries, the DJIMI applies financial screens examining the level of interest and debt within listed companies, through a number of differing ratio tests, in order to filter out any seemingly financially unsound companies. In doing so, the DJIMI is a prime example of classical Islamic theological economics finding its place in modern banking and equity investment markets.

### 3.4 Business practices

Similar to modern measures governing anti-corruption,<sup>16</sup> bribery is a recognized crime within Islam applying to all individuals, as there is the concept that everyone’s conduct is seen and watched by God, as evidenced in the following *hadīth*:

The curse of God is upon the one who offers a bribe (*rāshī*) and the one who takes it (*murtashī*) (Ibn Mājah 2007b)<sup>17</sup>

Throughout the historical Islamic market experience, this concept was one that was fully recognized and enforced, even against medieval market regulators themselves.<sup>18</sup> In addition to this, the concept of fraud is also one addressed within Islamic economic jurisprudence in quite some detail:

*Surat al-Shu‘arā’* (26), *Āyāt* 181–183:

Give just measure and cause no loss (to others by fraud), and weigh with scales true and upright, and withhold not things justly due to men, nor do evil in the land, working mischief.

From *hadīth* literature, it appears that within Islamic theological economics, the concept of *caveat venditor* (i.e., ‘Let the seller beware’) prevails over the current norm within Western corporate legal traditions, being that of *caveat emptor* (i.e., ‘let

<sup>16</sup> For UK legislation, see the *Bribery Act 2010*, and for US legislation see the *U.S. Foreign Corrupt Practices Act 1977*, as amended, 15 U.S.C. §§ 78dd-1, et seq. (FCPA).

<sup>17</sup> Commentary at 322 stating: “This two-fold sin deprives him of the mercy of Allah”.

<sup>18</sup> There is the example of the *‘arif* (a specialized industry expert who would have worked for the market regulator’s (*Muhtasib*’s) office) who had a classic conflict of interest situation and abused his powers to advance his own business interests against a competitor—after he was accused in court by the wronged party, the judge stripped him of his titles and privileges—see al-Maqrīzī (1967–1973).

the buyer beware') (Hamilton 1931). Therefore, it is within the seller's duty to fully disclose any potential defects in their products:

The buyer and the seller have the option of canceling or confirming the deal as long as they do not separate. If they were true and made clear the defects of the goods, then they *would be blessed in their bargain*; an if they told lies and his some facts, their bargain would be *deprived of Allah's blessings*. (Muslim 2005) [emphasis added]

Furthermore, no implicit undue influence is allowed to be placed on a potential buyer through the swearing of an oath to God on such products, being mindful of the previously mentioned concepts of the temporal interacting with the transcendental:

The swearing (by the seller) may persuade the buyer to purchase the goods but that *will be deprived of Allah's blessing*. (al-Bukhārī 2007a) [emphasis added]

### 3.5 Environmental ethical concerns

The Qur'an appears in several places to speak to humanity as a trustee, a steward, of the earth and its environment.<sup>19</sup> God speaks to humanity in the Qur'an with instructions to look around and appreciate and admire nature as evidence of His majesty.<sup>20</sup> The concept of environmental sustainability appears to be an avenue where one may potentially incur blessings from God, through giving charity (*sadaqa*), much in the same way as procuring 'clean' (*Halāl*) profits:

No Muslim plants something, which a human being or an animal eats, except that he will be rewarded as if he had given it in charity (*sadaqa*). (al-Bukhārī 2007b)

Furthermore, in the classical Qur'anic exegesis (*tafsīr*) of the great Persian theologian, philosopher, physician, jurist and astronomer, al-Rāzī (d. 1290 CE) the theme of trade and business appears to be directly linked to the environment, environmental appreciation and ultimately to God:

If God did not create trees, iron, and the various tools need to manufacture ships; if He did not make known to people how to use all these items; if He did not create water as a running body which allows ships to move on it; if He did not create winds with their powerful movement and if He did not widen and deepen rivers enough to allow the movement of ships in them; it would have been impossible to benefit from these ships. He is the Manager (*Mudabbir*) and the Subjugator (*Musakhkhir*) of these matters. (Tlili 2012 citing al-Rāzī 1992).

There even appears to be environmental sustainability principles contained within Islamic military jurisprudence:

<sup>19</sup> Qur'an, *Surat al-Baqara* (2), *Āyah* 30; *Surat ar-Rūm* (30), *Āyah* 40; and *Surat al-Ahzāb* (33), *Āyah* 72.

<sup>20</sup> Qur'an, *Surat al-Fāṭir* (35), *Āyāt* 27–28.

Do not kill women or children or an aged, infirm person. Do not cut down fruit-bearing trees. Do not destroy an inhabited place. Do not slaughter sheep or camels except for food. Do not burn bees and do not scatter them.<sup>21</sup>

The Prophet himself forbade his followers from polluting rivers, water sources, roads and areas used for shade (Ibn Mājah 2007a). Therefore, looking after the environment, avoiding waste, and in this day and age, having both a recycling program and a renewable ‘green’ energy agenda, is something that is religiously encouraged if not mandated and from an Islamic point of view, pleasing to God. Given the exponential growth in climate financing, renewable energy projects globally and the recent Paris Agreement adopted at the Paris Climate Conference (COP21) in December 2015, investment in such sectors of the market may indeed be an avenue for Islamic conscious capitalism to explore Islamic theological economics and ethics through the example of environmental consciousness (Moghul and Safar-Aly 2015).

#### 4 Conclusion

Within the Islamic economic paradigm, it is only through *clean* commerce, a capitalism that is *conditional* upon ethical principles being present, that one can hope to gain success both temporally and transcendently in the hereafter. We are indeed one community as the Prophet Muhammad stated in the Constitution of Medina—a worldwide community. Consequently, we owe a duty to each other to stand for justice and equity, even as against ourselves and our fellow kin.

Throughout the ages, society has witnessed sparks of enlightenment through spirituality—the Methodist Church triggered the great trade unionist movement in England in the 1830s, which gave rise to workers’ rights in Western Europe. Martin Luther King, Jr., a Baptist Minister, in the 1960s stood up against racism and changed the USA forever in his call for civil rights and equality. In this age of economic disparity and in searching for economic solutions, is it too far-fetched to learn and be inspired by spiritual concepts and theological economic frameworks? The Vatican newsletter, *Osservatore Romano*, in the initial wake of the recent ‘Credit Crunch’, stated that, ‘the ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service’ (Toranto 2009). Although of course affected by the recent global financial crisis, Islamic financial institutions have generally fared better than their conventional counterparts, as a result of a number of factors, including Islamic principles, such as the prohibition on investing in of ‘toxic’ assets and financial products (Gorvett 2012). Indeed, according to the American economist Nouriel Roubini, ‘[t]here is a need for a more resilient system, and that’s where there is potential for the Islamic system. It is less volatile and potentially more stable than

<sup>21</sup> Mālik ibn Anas ibn Mālik ibn Abī Āmir al-Asbahī (d. 795 CE), *Al-Mūwaṭṭaʿ* (*The Approved*) (trans. Bewley, A.), Book 21 (*Kitāb al-Jihād*) (*The Book of Struggle against Evil*), Ḥadīth No. 21.3.10. <http://www.sunnipath.com/library/Hadith/H0001P0021.aspx>. Last accessed May 26, 2014.

conventional financial systems. The advanced economies can learn from the Islamic system in this respect' (Kane 2013).

In Pope Benedict XVI's third and last encyclical, published on June 29, 2009, entitled *Caritas in Veritate* (lit. 'Charity in Truth'),<sup>22</sup> the Catholic Church stated that it 'rejects the secular logic of separating the market and morality' (Pabst 2011). This has prompted academics to refer to the theological economic vision of the encyclical as a 'Catholic Christian "third way"' (Pabst 2011). Perhaps we can also be inspired by Islamic theological economic teachings, despite the current onslaught of Islamophobia throughout Western Europe and the USA. Given the research above, and considering the great shared teachings between both the Islamo-Christian and Judeo-Islamic traditions, there may in fact be a great potential for an Islamic 'Third Way' based on virtue, inserting consciousness and ethics into capitalism.

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<sup>22</sup> Encyclical Letter: *Caritas in Veritate* of the Supreme Pontiff Benedict XVI, to Bishops, Priests and Deacons, Men and Women Religious, the Lay Faithful, and all People of Good Will, on Integral Human Development, in Charity and Truth—English trans. [http://www.vatican.va/holy\\_father/benedict\\_xvi/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20090629\\_caritas-in-veritate\\_en.html](http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_20090629_caritas-in-veritate_en.html). Last accessed June 15, 2014.

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