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Andrea Salvatore Antonio Barbieri

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**1. Author's information**

IRPPS-CNR of Rome

**2. Author's contact**

a.barbieri@irpps.cnr.it

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# *The economic ethics of Islam*

ANDREA SALVATORE ANTONIO BARBIERI  
IRPPS - CNR

## **Abstract**

Islam could provide the world with an essential tool to overcome inequality: the Islamic finance, based on the ethical principles of Quran and Sunnah. According to these principles, indeed, the Islamic bank should aim to reduce poverty by easing the access to the credit system to the most disadvantaged people. In that way, the development of people and countries would not pass through the satisfaction of material needs, which today are more and more growing, but through simplicity, solidarity and ethics.

## **Keywords:**

Islamic economy; Islamic finance; Solidarity; Sustainable development.

## *Introduction*

If the history of Islam is made by confrontations and clashes between Europe and the Muslim world, particularly in the Mediterranean space, it is also made by confrontations and clashes with Byzantium, India and China. Islam, indeed, has created socio-cultural and geopolitical clusters, marked by these clashes, which are also encounters. The concept of multipolarity allows us to underline the competition of agents of validation of religious, juridical or political laws, of the “ethics of disagreement” (Al-Alwani, 2010), as in Islam there is not a supreme authority.

Pluralism is at the root of this horizontal solidarity. Only God is One and Unique, while creation is multiple.

The “ethics of disagreement” in Islam can be expressed by this famous *hadith*: “Mes Compagnons sont comparables aux étoiles; quelle que soit celle que vous suivez elle vous guidera. Les divergences entre mes Compagnons sont donc pour vous une source de miséricorde” (Geoffroy, 2009, p. 51)” Starting from Quran and from words and facts of the Prophet, the *hadith*, a powerful work of interpretation and codification, gave rise to the Sunnah. The *ijtihad*, effort of comprehension and interpretation based

on reason and intelligence, is a stance of the reason aimed at facing unprecedented situations. The *ijtihâd* is the spirit that vivifies the letter, as it is a continuously renewed effort of interpretation, referring to the four sources of Islamic law, namely Quran, Sunnah, consent or *ijma* - essentially a plural notion - and *qiyas*, the reasoning by analogy. In the juridical field, the *ijtihâd* corresponds to jurisprudence, namely to the cluster of decisions that can be source of the law and reference point for solving controversies. What is important is the unity of hearts and solidarity.

Eric Geoffroy underlines the importance of the “ancrage d’un *ijtihâd* spirituel dans la réalité sociale, dans les chantiers immenses qui attendent le musulman contemporain... Les formes religieuses dépourvues de souffle inspirateur sont mortifères” (Geoffroy, 2009, pp. 118-119).

The *ijtihâd*, as highlighted by Abdulaziz Othman Altwajri, general director of the ISESCO, is “le renouveau et la nécessité d’être en phase avec l’époque... s’impose à toute la Oumma en fonction du besoin et de la réalité de chaque pays” (Altwajri, 2007, p. 17).

Mohammed Arkoun, who held the chair of history of Islamic thought at the Sorbonne university and was director of the Parisian journal *Arabica*, explained that the two key concepts, “Islam” and “modernity”, need to be elaborated in order to “sortir des confusions courantes répandues par des usages polémiques et idéologiques hors de toute analyse historique, sociologique, anthropologique, théologique et philosophique” (Arkoun, 2003). In this way, the conditions for an “integral history” of cultures and religions could be realized. Arkoun wrote in an article for *Le Monde diplomatique*:

Il est nécessaire, en effet, de mobiliser toutes ces disciplines pour expliciter les enjeux de pensée, de culture, de civilisation, généralement escamotés... les historiographies reflètent les processus de construction de mémoires collectives retranchées dans des citadelles ‘mytho-historiques’.

Against this “mythical-historical citadels”, real systems of reciprocal exclusion, it is opportune, thanks to the above mentioned sciences, give a sense to “une histoire solidaire des peuples libérée des dualismes manichéens et orientée vers le dépassement du bien et du mal, du vrai et du faux”, with the sole preoccupation of the balanced and harmonic development of men and world. Evoking the possibility of a “solidarité

dûment négociée et protégée par les Etats et les peuples qu'ils représentent" Mohammed Arkoun underlines, furthermore, that this entails "la mise en place d'une politique commune de la recherche en sciences de l'homme et de la société".

Within the 2008 financial crisis, the prohibition of the interest bearing loan, namely usury - a prohibition essential in all the three monotheisms - deserves to be deeply analyzed. This prohibition, which today is strictly implemented only by Islam, comes from the theological logics of monotheism and has important consequences, both spiritual and technical. Man cannot claim to be equal to the Almighty, by creating value from nothing. Man can create value only with his work: "To take usury for money lent is unjust in itself, because this is to sell what does not exist, and this evidently leads to inequality which is contrary to justice", as the Christian theologian Thomas Aquinas (2014, I, p. 481) wrote.

Islam attaches great importance to the economic justice, as underlined in a very precise and technical way by the second Surah of the Quran (*Al-Baqara*), which is also the longest, with 286 verses. Richness is good if it is shared and economic justice is the paradigm of justice. Trade must be strictly regulated. Only work deserves to be rewarded, as it produces value, both tangible and intangible, in the interdependence of men and nations.

### *1. Islamic economy*

Economy must be real; it must not give room to speculation and hazard: "Sans le travail de l'homme, point de profit et nul avantage", wrote Ibn Khaldun (1967, t. 2, p. 799), whose work in the XIV century are the precursor of modern disciplines such as sociology, economics, history and geopolitics. Ibn Khaldun blames the hoarding, as destructive as speculation, because it prevents the right circulation and redistributions of goods, in accordance with the second verse:

O you who believe! Many of the rabbis and priests consume people's wealth illicitly, and hinder from God's path. Those who hoard gold and silver, and do not spend them in God's cause, inform them of a painful punishment (Quran, Surah IX *At-Tawba*, verse 34).

Supportive of economic regulation, Ibn Khaldun also stated:

S'il y a spoliation brutale, si des atteintes ouvertes sont apportées à la propriété privée, aux femmes, aux vies, aux personnes, à l'honneur des sujets, le résultat en sera la désintégration soudaine, la ruine, la rapide destruction de la dynastie, en raison des inévitables troubles suscitées par l'injustice (Ibn Khaldoun, 1967, t. 2, p. 591).

In these first fifteen years of the XXI century, new financial forms could consist of the application of a spiritual humanism, shared by cultures and religions; it could reveal to be a space of negotiation for a solidarity-based history, beyond the differences of place and time, in the several religions of the world. The current research on economics and law, the innovative approaches for an international regulation of finance within the globalization cannot neglect any more the ethical values of the cultural and religious components.

In this way, the drifts of market economy could be halted. Islam, through the personality of the Prophet - man of ethics and merchant -, through its different regional components, can play an essential role in the contemporary world, in the perspective of a spiritual humanism.

The Islamic law, the *Chari'ah*, based, as stated above, on Quran and Sunnah, introduces a very dynamic concept: a way leading to the spring where we can drink. It is necessary to renew the comprehension, to re-discover the original meanings. The Muslim exegetes define it as a "way of salvation", a source and a reservoir of sense and values (Ferjani, 2005, p. 73). Eric Geoffroy (2009, p. 148) notes:

Le terme ouvre au pluralisme des approches, en vertu de cette parole du Prophète (rapportée au IX<sup>ème</sup> siècle par Tabarâni): «Trois cents chemins différents mènent à ma *Chari'a*. Il suffit de suivre l'un d'entre eux pour être sauvé». Bien plus qu'un catalogue de prescriptions et d'interdits, la *Chari'a* contient les principes intellectuels qui déterminent la connaissance adéquate et les modalités pratiques pour parfaire les «nobles caractères» de l'homme.

The word *Chari'ah* does not concern only Muslims, but includes all the "religious ways" of humanity. In this way the Islamic "economy" is part of a cosmic order. The *Chari'ah*, even in its legislative sense, is completely adaptable.

Elected on 22 June 2008 as president of the *Conseil français du culte musulman* (French Council of the Muslim Faith), Mohammed Moussaoui

underlined his commitment for an Islam which respects “founding and contextualized texts”.

The aims of the *Chari'ah -Maqâsid al-Chari'ah-* are to be re-discovered, on the heels of Umer Chapra (2008- pp. 9 e 13-14):

Les enseignements islamiques ont pour finalité ultime d'être une miséricorde pour l'humanité... L'imam Abu Hamid al-Ghazali (m. 505H/1111G), un éminent érudit et réformateur du cinquième siècle de l'Hégire, a regroupé les *maqâsid* en cinq catégories. Il précise que le but de la *Chari'ah* est la promotion du bien-être des gens qui consiste à préserver leur foi, leur vie, leur intellect, leur progéniture et leurs biens. Tout ce qui garantit la préservation de ces cinq intérêts est souhaitable, et tout ce qui leur nuit est un mal qu'il faut chasser.

*Chari'ah*, aiming at ensuring and preserving faith, life, intelligence, lineage and goods, takes care of this general interest, free and undetermined (*al-Maslaha al-Moursala*). There is no explicit mention in the Quran or in the Sunnah, but it entails the ethical creativity (Khallâf, 2004, pp. 119-122).

Therefore, Islamic “economy” is a real economy for the welfare of people, societies and world.

## 2. *Islamic banks, participative finance*

It is known that in origin the Islamic bank aimed at reducing poverty by easing the access to the credit system to the most disadvantaged people. Since the 1950s, in different regions of the world Muslims have laid the foundations of a market finance that is an alternative to the conventional finance and economy, mainly established in the Anglo-Saxon countries. This finance is committed to respect the Islamic principles for the real welfare of mankind. First attempts took place in Malaysia in 1959 (*Tabung Hadji*) and in Egypt (*Mit Ghamr*) in 1963. These experiences have determined the deep heterogeneity of the history of the Islamic finance. The purpose, however, is always the same - to ensure the access to credit to disadvantaged people and aid their development -, even if the outcomes of the two attempts have been different. We find here the basis of the moral and juridical Islamic system: justice. Islam is a rule of life and the respect of its principles must create an homogenous society, transforming the life of

everybody, giving him access to the real welfare of body and soul, in order to form a unique organism, a sort of collective "me", in a logic of service and brotherhood. The poverty leads to immobility and dependence on the other (Chapra, 2008, p. 31).

The recommendations of the *Chari'ah* prevent to receive or give interest because the use of the interest rates transfers the risks only to debtors. They also prevent to make transactions not connected to the real economy or for mere speculation, which entails that any financial transaction must be based on a tangible good. The *Chari'ah* prevent the investment in non ethical activities, such as tobacco, alcohol, pornography, gambling and weapons.

The *Councils of Conformity Chari'ah*, established in 1970 e composed by theologians - the *ulema* - validate the religious conformity of the financial products and act as a guarantor for the Muslim investors. In the Muslim world there are differences in the interpretation of the Islamic law applied to the financial activities, due to the diversity of the models of social development and to the opposition that they can provoke. These models are far from the alleged intransigence of Islam toward the cultural immutable features.

The so called ethic funds of "socially responsible investments", often of Christian origin, share the Islamic preoccupations for all that concerns the responsibility in relation to the management of richness and to the purification of money. The sovereign fund *The Government Pension Fund-Global* (former Norwegian *Petroleum Fund*), that manages 260 billions of euro, must respect a specific ethical code, with social and environmental rules. However, the Islamic investment fund need to be provided with specific information about the target societies in order to verify the consistence with the Islamic precepts. It would be possible to imagine the sharing of common information among financiers eager to profess their faith and their law both in Christianity and Islam.

Here it is opportune to remind how the care of body and soul, the role of faith and that of intelligence and reason are essential for realizing the Islamic view of development. Faith raises ethical vigilance; reason gives faith to its dynamism, which allows it to understand the evolution of the social, economic and cultural environment. Reason, both intelligent and spiritual, can work to realize *maqâsid*. The educational system must combine modern and religious sciences. It is an essential project for a fair



“economy” of the world. The knowledge the otherness and the heritage of our existence, which give sense and deepness to our history, decisions and actions, include us in a solidarity-based history, which will enable us to become a virtuous man/woman. This knowledge of cultures and religions, this reasonable appropriation of texts urge us toward this spiritual humanism that attributes all their deepness to cultures and religions.

In 1979, during the first Congress of the Union of Islamic Banks, a proposal was launched to implement an effective mechanism for the redistribution of wealth. Today - and this is the great challenge for Muslims - the objective is not only to *hallow* the ways of funding, without paying attention to the social objectives of the Islamic economy. Finance, to be in accordance with the principles of *Chari'ah*, must be plural and participative and must not limit itself to the financings to consumption. It is clear that finance, in itself, is neither ethical nor non-ethical: its target is profit, enrichment. On the contrary, the men who practice it are able, thanks to their faith and intelligence, to imagine right and fair behaviours that match the real needs of people with participative forms of funding.

Islamic banks, insofar as they are established by Muslims eager to apply the principles of their faith and their law, have the mission to promote a “participative finance”, appropriate to fight poverty and exclusion in a globalized world. Three paths of action are essential for its actual realization:

- a banking pedagogy, for example a new pedagogy of saving, of material immobilizations, in short a new culture of bank;
- techniques that respect the ethical values of the *Chari'ah*;
- the promotion of a real accountability in the Islamic banks by establishing mechanism that respect these ethical values.

Looking for allowing everybody to access to the necessary tangible and intangible goods, the “participative” Islamic finance could be a real space of mediation, not only among the different cultures of the Islamic world - from Malaysia to United Arab Emirates, to Africa, Maghreb and Europe - but also among the different cultures, even conflicting, of the three monotheisms and of the other religions of the world. Starting from the Muslim worlds, it could indicate a new way to the “conventional” finance, whose drifts have proved to be catastrophic. This is, as stated above, the basic sense of *Chari'ah*, the way toward the spring, toward life. Jews and

Christians would be urged to join Muslim in this space of participative finance, which is a right and fair application of a spiritual humanism. In the long run the funding of economy would be ensured in the best conditions; in the short term, it could enable the creation of jobs in the Islamic financial sector and establish closer relations between the Muslim worlds and the other worlds.

### *Conclusions*

If a culture, a religion and an economy do not stop to intertwine in the context of globalization and competitive market economy, Islam provides for conceptual tool that we can call humanist, like a necessary stance of intelligence and reason, appropriate to propose new tasks to a solidarity-based history of people, through an economic ethics. It is a humanism that, without excluding a monotheistic transcendence, gives the men his real greatness and enables him to develop all his potentialities, his capabilities, in the sense given by Amartya Sen to this word. Against a materialist modernity, the stress on the *maqâsid* of the *Chari'ah* also means to rediscover the essential modernity of Islam and its emancipative character.

D'une certaine manière, l'islam, plus peut-être encore que le christianisme, pourrait être considéré comme la «religion de la sortie de la religion» et comme une religion pour les temps modernes: confession d'un Dieu démythologisé et quelque peu abstrait, rituels simples et universels, abolition de la distinction entre la foi et la raison, entre la révélation et la création", writes the pastor Alain Houziaux (Israël Houziaux Bentounès 2004, p. 92).

Islam and Islamic economy pays attention to the urgency of justice and fairness in the contemporary world. Could not the spiritual humanism, beyond the differences of cultures and religions, include, cover the material globalization (Bentounès, 1998)? The diplomatic and former Iranian minister, prominent economist, Majid Rahnema, states that

Pour contrer la misère mondialisée, il est illusoire d'attendre une solution miracle venue des institutions d'une société soumise aux seuls impératifs économiques. L'espoir d'un véritable changement ne peut venir que des résultats d'une patiente «révolution intérieure», une révolution permettant à un nombre de plus en plus important d'acteurs sociaux de porter un regard nouveau sur leurs propres pauvretés et richesses. Seule cette vision les conduirait, non seulement à ne plus participer à la production de la misère, mais aussi à comprendre tout le

bénéfice qu'il y aurait à réinventer les grandes traditions de simplicité et de convivialité en les adaptant aux exigences de la vie moderne... [...]Si nous définissons la pauvreté comme un mode de vie simple et libéré de tout superflu, rien n'interdit de penser, au moins théoriquement, que pourrait voir le jour un monde plus clément pour la majorité de ses habitants, un monde moins pollué, un monde, enfin, où l'éthique de vie en commun permettrait à chacun de vivre au diapason du Dieu qu'il s'est choisi" (Rahnema 2003, pp. 27; 311).

In this way, cultural and religious values can promote a development, which does not pass through the satisfaction of material needs, more and more growing, but through simplicity, solidarity and ethics. This is one of the most qualifying challenges of modernity and one of the conditions of a lasting and sustainable development of the world. Islam can give an essential contribution to the formation of the universal community and to the education of every man to his responsibility: "We did not send you except as mercy to mankind" (Quran, Surah XXI – *Al-Anbiyâ*, verse 107).

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