

MAKING GLOBALIZATION GOOD



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Making Globalization Good

*The Moral Challenges of
Global Capitalism*

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OXFORD
UNIVERSITY PRESS

The Challenge of Global Capitalism: An Islamic Perspective

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8.1 INTRODUCTION

Global capitalism, like globalization in general, is not that new, despite its new attire and idiom. This is not to deny what is really new, particularly with respect to the *speed* as well as the *extent* and depth of capitalism's global reach in the post-Cold War world. Nor is the impact of the newly enhanced role of human capital and the micro-chip in any way being minimized. These and the geographic dimensions are important, but the substantive issues are more crucial. While the present writer shares the deep concerns of the other contributors to this volume, and the need to focus on the moral, humanitarian and egalitarian dimensions of our globalizing economy, we shall suggest in this chapter that the issues involved are even more fundamental and complex. Put in question form, 'Is globalization inevitably leading mankind towards one dominant economic system—global capitalism, notwithstanding its many variants in different geographical and cultural contexts? Or would humanity be better off with a genuinely pluralistic world with the prospect of many flourishing economic systems?'

Capitalism has been a great historic force for the last six centuries, passing through many stages of evolution and innovation; from merchant capitalism, to industrial capitalism, financial capitalism, welfare capitalism, state capitalism, and now global capitalism. The premise that mankind has now reached a stage that may be described as the 'end of history' with one global economic model for the entire human race as the only alternative, deserves to be critically examined. In this chapter an effort is being made to offer a somewhat unorthodox interpretation of the ethos of capitalism. To this end, a critique of global capitalism from an Islamic perspective is provided, together with a vision of a global economy and society where many economic and social systems can coexist, each with its set of shared values, priorities, common goals, and areas of co-operation, yet each with its unique characteristics and its ability to pursue different paths and explore new avenues to face ever-emerging challenges. This may sound like a voice of dissent, but therein, we submit, may lie the usefulness of this contribution.

8.2 CAPITALISM: AN OUTSIDER'S CONCEPTUALIZATION

Capitalism may be described as an economic system based on private property and private enterprise in which at least the greater proportion of economic life is undertaken by private individuals and institutions, primarily through a process of economic competition, via a myriad of market transactions. The principles on which capitalism is founded are those natural values and premises which, taken individually, pre-date capitalism, yet which were adumbrated, consolidated, and given a new identity and direction under the influence of powerful intellectual, political, cultural, technological, and economic forces in the era of post-Renaissance Enlightenment in Europe. Eight of these might be specifically identified. These are (1) self-interest, (2) private property and enterprise, (3) the profit motive, (4) the market mechanism, (5) civil society ensuring institutional support for free enterprise, (6) the availability of a juridico-legal framework for business rights and enforcement of contracts, (7) the intermediation of money, and (8) good governance and political stability providing domestic and external security. Each of these, taken individually, in some form or another, has been present ever since the emergence of the post-barter economy. They were there, although their specific form and direction were very much conditioned by the religio-moral and politico-economic context of different societies and times. The decline of feudalism and the flowering of the Renaissance, Reformation, and Enlightenment in Europe, and the emerging technologies and expanding political frontiers of major European powers, provided the background in which modern capitalism emerged. The specific role of certain cultural trends and ethical attitudes, as suggested by scholars like Sombart, Max Weber, and Richard Tawney, and the influence of new thought currents, promulgated by such thinkers as Kant, Voltaire, Hume, Rousseau, Hobbes, Bentham, and Adam Smith, played a critical role in creating a new civilizational ethos that helped pave the way for a new economic system which was christened 'capitalism'—not by its advocates, but by its adversaries.¹ The new paradigm was characterized by an overpowering acquisitive urge for profit making, wealth creation, and the pursuit of affluence and power.

The defining character of this new system was not only this dominant ethos but also the fact that the real builders of the system were a class of entrepreneurs. They were able to amass wealth through trade and imperialistic exploits, and were instrumental in innovating and harnessing new technologies and new organizational modes, which were leading to the precursors of the Industrial Revolution, urbanization and global trade. The balance of power shifted in favour of this new class and all other relations, particularly economic and political, were redefined in the light of the critical role of capital and capitalists. Competition became the mode of economic behaviour, and the market mechanism emerged as the effective process for decision making. Society became increasingly polarized between the bourgeoisie and the working classes.

The intellectual premises on which the new system rested were such that (1) the individual became the cornerstone of the economy and (2) that individual's

self-interest as expressed in terms of the maximization of satisfaction for pecuniary rewards acted as the real élan of the system. *Inter alia* it was claimed that this would lead to the most efficient allocation of resources at all levels in the economy, and to optimum rewards for participants in the wealth creation process. Naturally self-interest also became the *dominant* if not the *sole* moving force for all economic effort. Increasing the output of goods and services became the greatest virtue and the highest prize in life. The spirit of acquisitiveness and achievement motivation became the cardinal values of society. The role of governments was limited to creating an appropriate instrumental infrastructure and a congenial climate for the operation of the system. *Laissez faire* was accepted as the major guiding principle both within the nation state and at global level. As the new system unfolded, a powerful coalition between the class of entrepreneurs and the ruling powers struck root. This enabled the system to operate at high speed and achieve an unprecedented rate of growth and global outreach. Capitalism and imperialism became twins, each providing support and strength to the other.

With a host of cultural, intellectual, and social factors to the fore, the secularization of society took place, and the hold of religion and of traditional moral values was weakened. New-found affluence provided new lifestyles resulting in consumerism, the flaunting of wealth and hedonism. Furthermore, the pursuit of unbridled individualism as the chief pillar of the social system created a society strewn with conflicts, disparities, and injustices. This new-found freedom and opportunity also released powerful streams of creativity, innovation, enterprise, and management, which resulted in unprecedented economic development and material affluence. But as John Dunning points out in Chapter 1 it also led to many downsides. Indeed Victorian society became ripped apart as inequalities of income, wealth, and influence created a scenario described by sociologists as 'Social Darwinism'. A new maxim of 'the ends justify the means' further aggravated this process, and all this resulted in the creation of a society wherein the fruits of development could not be shared equitably by all its members. Globally, the system was characterized by imperialistic exploitation.²

At the advent of this twenty-first century, humanity is faced with a scenario where capitalism occupies the position of the dominant economic system in the world; yet the greater part of humanity remains in the grasp of poverty, hunger, disease, and deprivation, particularly in Sub-Saharan Africa, and parts of Latin America and South Asia. The roller-coaster movements of the financial markets of East Asia and financial convulsions that have devastated many parts of the world have exposed the clay feet of the system's security and stability. Frustrating experiences in Russia and some East European countries with privatization and liberalization have highlighted the dangers of thrusting capitalism upon countries ill-prepared for it. In our view, the challenge of global capitalism is two dimensional: (1) it poses a challenge to countries in the non-Western world, and (2) it poses a challenge to its own very existence as to how to deal with its inherent problems. The only silver lining is that every challenge also provides an opportunity.

8.3 GLOBAL CAPITALISM: ACHIEVEMENTS AND FAILINGS

Three centuries of capitalistic experiment present a mixed picture of unprecedented achievements in the fields of economic development, productivity, creativity, and innovation, as well as unpardonable disasters and inequities in social and human realms. Advocates and adversaries of capitalism (including Karl Marx), agree on its tremendous wealth creating contributions. It has been claimed, for example, that the volume and variety of economic achievements under its aegis, have surpassed those of humanity in the entire pre-capitalist era. The alternatives to capitalism that have been tried and tested during the last one and half centuries, despite some positive contributions, have lagged far behind in their wealth creating potential, and have disintegrated under the weight of their own follies.

Capitalism on the other hand, seems to have survived all the vicissitudes of time. By and large, the system has maintained a high standard of efficiency, if efficiency is defined in physical and materialistic terms. The pivotal role of the individual and the infrastructure of freedom, effort, opportunity, and meritocracy have established the credentials of the system and demonstrated its relative superiority over the alternatives that challenged it. The market mechanism, despite its weaknesses and failures has turned out to be a more efficient arrangement for economic decision making. Moreover, capitalism has also shown remarkable inner resilience and a capacity to change, adapt, adjust, and create new forms, instruments, and structures to face new challenges both from within and without. The system has also shown a capacity to transcend geographic boundaries. While it is difficult to establish a causal relationship between capitalism and democracy, *inter alia* because of the different interpretations of the two concepts on the appropriate distribution of power,³ by and large it can be inferred that the prospect of compatibility between capitalism, democratic processes, and freedom are relatively great (Sen 1999). The above features represent the positive side of capitalism.

There is however another side which is rather ugly and distressing. The affirmation of individualism is a great human achievement, but individualism alone cannot ensure a healthy and harmonious social system. Society and state are important dimensions of human life. Individuals do not live in a vacuum. They live in the context of other humans and a network of institutions. A healthy, just, and sane society comes into being only if there is a balanced relationship between the individual and society. Individualism run amuck, can be as disastrous as totalitarianism, collectivism, and unbridled statism.⁴ Individual gain and social welfare must go hand in hand. In any society there are bound to be conflicts of interest between individuals, but every system worth its name needs to develop mechanisms to resolve those conflicts in a manner that the well-being of the individual and the welfare of society are simultaneously achieved. Personal good and public good make up the matrix of a balanced contented society. Neglect of either is bound to be deleterious socially and economically. If socialism erred on the side of collective extremism, capitalism's failures can be traced to its emphasis on an unbridled individualism.

While over the last century, from time to time, serious efforts have been made by national governments and supra-national entities for harmony between

personal and societal objectives, dichotomy and clashes between them remain unresolved at almost all levels. The pillars of capitalism viz competition and the market economy are based on the assumption of the availability of information and symmetry in the capacity and bargaining power of all the participants, producers and consumers, employers and employees, profit takers and wage earners. The vision of economic individualism expounded by Adam Smith and Ricardo and incarnated in the assumptions of the market economy are found only in economic textbooks and mathematical models of capitalism. In the real world, where gross inequalities prevail and many players are in a position to manage and manipulate market forces, they are all too conspicuous by their absence. Big fishes not only control the pond; they even eat the small fish! Monopolistic and oligopolistic forces call the shots. Market imperfections and distortions plague both the domestic and global economy. This has led to accentuation of class conflicts, regional rivalries, national clashes, and global confrontations. Asymmetry of power and influence are at the root of a system that all too frequently thrives on distortions, imperfections, exploitations, and inequities (Thurow 1996; Greider 1997; Shutt 1998; Sklair 1994; Hayter 1991; Bell and Kristol 1971; Hertz 2001).

This brings me to the central issue of the exclusion or marginalization of justice and equity as a critical concern of all levels of the economy and society. Within the national economy and at global level, a kind of centre periphery relationship has emerged. The distribution of wealth, income, and resources between different strata of society and between different nations and regions is grossly unequal. The theory that all boats rise when the water level rises has not held true for most of the poorer countries in the world. The theory of the trickle-down effect of benefits has also proved ineffective. Poverty amidst plenty, hunger amongst affluence, deprivation along with conspicuous consumption are just some of the festering sores of the capitalist system (Amin 1974, 1976; Frank 1979; Emmanuel 1972; Kenton 2000).

Major capitalist countries today and most of the third world countries were roughly at similar levels of economic development and well-being around the mid-eighteenth century. A review of literature on the historical comparisons of per capita income suggests that around 1760 disparities were almost non-existent (Kennedy 1988; Fogel 2000; Alam 2000).⁵ Three centuries of capitalist development have changed the situation to such an extent that, at the advent of the twenty-first century, the richest countries of the world with only 20 per cent of the world's population, own 87 per cent of the world's GDP; the corresponding share of the remaining 80 per cent of the world's population is only 13 per cent. Disparities both at global level between rich and poor countries within developed and developing countries and between rich and poor sections of every capitalist society were increasing.⁶ This seems to be the unavoidable result of the logic of the market place, and underpins the need for *extra*-market arrangements to redress the situation, as for example documented by Thurow 1996; Shutt 1998; Marris 1997; Ellwood 2001; Küng and Schmidt 1998; Gray 1998, and several contributors to this volume.

Economic development has been a positive achievement, yet there are strong reservations as to how far this has led to the welfare and well-being of *all* sections of society. Human needs have an objective dimension, but needs as such are not of direct relevance to the calculus of capitalism. What is relevant are wants, that is needs backed by purchasing power. This, then introduces a major new dimension into the equation. Purchasing power is determined by the distribution of income and wealth in society. But when an economy suffers from gross inequalities, its priorities of production and consumption are not in keeping with the needs of the majority of people in that society. This is the dilemma of capitalism. The market responds to subjective wants, not objective needs. While some inequalities of income and wealth are acceptable, even inevitable, in order to maintain effective incentives and achievement-oriented rewards, extreme inequalities distort the entire spectrum of a society's productive and consumptive priorities, rendering the system unbalanced and exploitative (Lutz and Lux 1979; Roepke 1977; Gray 1998; World Bank 1997; Sachs 2000).

Capitalism claims to be a universal system based on a set of natural principles. Its global reach is undeniable. But its inclusiveness and social desirability is open to question. How far its politico-cultural context remains an unalienable part of its economic ethos remains debatable. What is universal and adoptable by others, and what is specific to its Euro-American historical background and cultural ethos? Is it possible, then, to detach its principles and precepts from the moral values and traditions that acted as the womb for the gestation of the embryo of self-interest into its economic imperative? Self-interest, as such, has been a great creative force. But once it is promoted as the *only* motivating force, the normative considerations that could safeguard social interests are marginalized. Consequently, the focus shifted from society to economy and economy was reduced to the market.

When the market mechanism becomes the sole arbiter of the desirable and the undesirable—a virtual source of values—the result is that ethical norms are gradually eroded and the dimensions of justice grossly violated. In short, capitalism's claim to be the natural order is not shared by those who have strong apprehensions about its deleterious performance on social and moral grounds. The realities about different countries' varied levels of development and socio-cultural aspirations do not admit the relevance of one economic model for all societies or provide a mosaic for contemporary mankind. The global economy, like global society, cannot be encased in one model. Instead, an open and just world would have to be genuinely pluralistic, with link-ups and interrelations that enable all people, societies, and states to reap benefits through co-operation as much as through healthy competition.

This view of the vast majority of intellectuals of the third and Muslim worlds is shared by several enlightened thinkers in the West. According to Lester Thurow of the Massachusetts Institute of Technology,

the danger is not that capitalism will implode as communism did. Without a viable competitor to which people can rush if they are disappointed with how capitalism is threatening them, capitalism cannot self-destruct. Pharoanic, Roman, Medieval and Mandarin

economies also had no competitors and they simply stagnated four centuries before they finally disappeared. Stagnation, not collapse, is the danger... The intrinsic problems of capitalism visible at its best (instability, rising inequality, a lumpen proletariat) are still out there, waiting to be solved, but so are a new set of problems that flow from capitalism's growing dependence upon human capital and man-made brainpower industries. In an era of man-made brainpower those who win will learn to play a new game and this will require new strategies. Tomorrow's winners will have very different characteristics than today's winners. (Thurow 1996: 325-6)

The issue is not merely one of brainpower. More importantly it relates to the whole moral, social, cultural, spiritual, and political context of mankind. The shift of emphasis from machine to mind represents a qualitative shift in the global human situation. This brings the moral question to the centre of the debate and consequently concerns for justice become the real focal point, as against exclusive obsession with material affluence, development, and efficiency.

Robert Fogel, winner of the 1993 Nobel Prize for Economics, also addresses this issue in his work *The Fourth Great Awakening and the Future of Egalitarianism*. His formulation of the real problem is succinct and perceptive. In his words:

At the dawn of the new millennium the critical issues are no longer whether we can manage business cycles or whether the economy is likely to grow at a satisfactory rate. It is not even whether we can grow without sacrificing the egalitarian advances of the past century. Although the consolidation of past gains cannot be ignored, the future of egalitarianism in America rests on the nation's ability to combine continued economic growth with an entirely new set of egalitarian reforms that adhere to the urgent spiritual needs of our age, secular as well as sacred. Spiritual (or immaterial) inequity is now as great a problem as material inequity, perhaps even greater. (Fogel 2000: 1)

Fogel emphasizes that 'in a world in which immaterial assets are becoming the dominant form of wealth, equity, (justice) in the cultural sphere becomes an issue, both domestically and internationally' (Fogel 2000: 230). He concludes his book with a significant warning:

Although the world that our grandchildren will inherit will be materially richer and contain fewer environmental ills it will be more complex and more intense than that of my generation. Ethical issues will be at the centre of intellectual life and engagement with those issues will form a larger part of the fabric of daily life than is the case today. The democratisation of intellectual life will broaden debates and insinuate spiritual issues more deeply into political life. Clashes between old and new religions may become more acute, but the average age of the population will rise significantly and with that ageing will come, one hopes, a maturity and intellectual vitality that will help our grandchildren find better solutions than we found. (Fogel 2000: 242)

John Gray, a British commentator, focuses on the political dimensions of capitalism. He writes:

A reform of the world economy is needed that accepts a diversity of cultures, regimes and market economies as a permanent reality. A global free market belongs to a world in which Western hegemony seemed assured. Like all other variants of the Enlightenment

Utopia of a universal civilization it presupposes Western supremacy. It does not agree with a pluralist world... It does not meet the needs of a time in which Western institutions and values are no longer universally authoritative. It does not allow the world's manifold cultures to achieve modernizations that are adapted to their histories, circumstances and distinctive needs. (Gray 1998: 20)

8.4 PLURALISM OR ONE GLOBAL CAPITALISM?

This being the cultural and political context of the debate on globalization and the future of capitalism, it is a very healthy and promising development that a group of intellectuals belonging to all parts of the world and all faiths and cultures is looking upon the issue from a moral perspective. Whatever the merits and failings of capitalism, when one looks into its historical performance one cannot fail to notice the capacity of the system to innovate change and respond to internal and external stimuli. The many forms and shapes that capitalism has assumed during its chequered history is a testimony to the system's capacity for resilience and adaptation.

For much of the last 150 years, socialism has presented a major challenge both to the concept and content of capitalism. However, the initial socialist challenge did not build its case on purely economic grounds. Robert Owen, St Simon, and others challenged the system on its moral and egalitarian failures. Marx and Engels gave the critique a different twist. Their so-called scientific socialism transformed the language and substance of the challenge into exclusively materialistic and historical terms. In the name of science, a new form of economic and historical determinism was unfolded. The national socialisms of Germany, Italy, and Spain represented another challenge. Liberal governments responded to these challenges and to those generated internally by a free market system, by introducing more socially acceptable or welfare based, economic policies; by accepting the concept of the mixed economy; or recognizing the possibilities of a convergence scenario between different varieties of capitalism.

The current phase of global capitalism may also be scanned and examined from many perspectives. Critiques from moral and humanitarian perspectives are enriching the debate. A trend that was initiated by the emergence of revolutionary theology in the 1950s and 1960s in Latin America, the upsurge of Christian democratic movements in post-Second World War Europe and a number of humanistic, communitarian, and green groups in America and other parts of the world is now assuming global proportions. These concerns are genuine and widespread, notwithstanding untoward expressions and unacceptable violent aberrations from the extreme left. What began as outbursts of dissent at Seattle, Washington, Budapest, Ottawa, and Genoa is now influencing the tone and temper of current intellectual and inter-government discourse. The search for some kind of new consensus can be discerned from discussions at a recent UN Conference at Durban (2001) and the WTO Summit at Doha (2002). The fact that the World Economic Forum, moved from Davos to New York in 2002 in

search of some common ground is meaningful. Concurrently with this meeting, another platform, the World Social Forum, stole the show in Posto Aleger, Brazil, addressing some of the burning issues. The Monterrey Consensus (March 2002) also had a flavour markedly different from that of Washington Consensus (see also Chapter 5 of this volume). All this points to the capacity of global capitalism to be flexible in the face of internal and external challenges.

Global capitalism is now being challenged on two fronts (1) by its own internal weaknesses, contradictions, and inequities, and (2) by the response of Muslim and third world countries, which have culturally different world-views, social and moral aspirations, and traditions of civilization, and make up four-fifths of the world's population. With capitalism riding the current wave of globalization, the real challenge lies not in 'Unity in Diversity' but in establishing an open society with a genuine plurality of systems and options, and which offers a diversity with unlimited scope for co-operation in the pursuit of shared values and common interests.

In this connection I draw upon some thinking about hegemony. A matrix for global society is the need for the hour. John Rawls has recently come up with some new thoughts in his latest work on the *Law of Peoples* (Rawls 1999). Here he extends his earlier idea of 'justice as fairness' (Rawls 1972) to peoples and societies which may not be strictly within the conceptual framework of (what Western thinkers regard as) political liberalism. Rawls admits the plurality of civilized societies, which he classifies according to their modes of organization. Along with the category of 'liberals' and 'reasonably liberal peoples', Rawls introduces the notion of 'decent people' which allows, in his words

that there may be other decent people whose basic structure does not fit my description of a consultative hierarchy, but who are worthy of membership of a society of people. (Rawls 1999: 4)

He also wants to make it clear that there is

no single possible Law of People, but rather a family of reasonable such laws meeting all the conditions and criteria. I will discuss and satisfy the representatives of people who will be determining the specifics of law. (Rawls 1999: 4)

Rawls' exposition of this dimension of liberalism is an important step towards a vision of a world in which genuine pluralism might prevail, and a global political, economic, and cultural matrix established that could provide humanity with opportunities for coexistence, co-operation, and competition. The future vision of such a global society would hinge on the concept of 'reasonable pluralism'. To quote Rawls once more:

the parallel to reasonable pluralism is the diversity among reasonable people with their different cultures and traditions of thought, both religious and non-religious. (Rawls 1999: 11)

The conclusion I would like to draw for this discussion is that global capitalism is capable of coexisting with other systems; and because of this there is no need

to assume that all societies and cultures must try to become a variant of capitalism. This does not preclude the possibility of vast areas of shared values, interests, and aspirations, and also scope for co-operation, interaction, and competition. Even interdependence, prompted by variations in resource-endowments, specializations, and comparative advantage is not ruled out. Instead, what is being questioned is the hegemony of one system, and a relation of dependence that impinges upon political freedom, cultural integrity, economic self-reliance, and—perhaps most important of all—moral and spiritual identity.

8.5 MUSLIMS AND THE ISLAMIC APPROACH TO LIFE

Muslims constitute one-fifth of the human race. At the end of 2001, there were 1.3 billion Muslims in the world today—some 900 million in fifty-seven independent Muslim states and 400 million in over 100 communities in the rest of the world. While there is a concentration of Muslim populations in countries in Central and South East Asia and in large parts of Africa, Muslims are a part of the demographic landscape of the entire world. With over 30 million Muslims in Europe, and more than 7 million in North America, Islam is the second largest religion in Europe and America. Fifty-seven Muslim states straddle over 23 per cent of the land surface of the world. Strategic land, air, and sea routes pass through the Muslim world and there is strong interdependence between the Muslim countries and the rest.

In the main, Muslim countries are resource rich, but they presently lag behind in economic and industrial capabilities. They have huge financial resources, but are weak in the fields of technology, management, and advanced modes of production. Around 13 per cent of Muslim countries' trade takes place amongst themselves, and 87 per cent with the rest of the world. This shows their strong linkages with the global economy. It may also be noted that while most of the Muslim countries today belong to the group of developing countries, five are in the high human development group, twenty-five in the middle human development group and the rest in the low human development group (UNDP 2000: 156–60).

The Muslim world was a global economic power for several centuries,⁷ and it was not until the time of the Western Enlightenment that economic stagnation or decline began to occur: and this lasted for more than 300 years. The re-emergence of the Muslim world as a powerful political and economic force is a recent phenomenon, and a lot of critical thinking is taking place examining what originally went wrong and how the Muslim world can set its house back in order. The rediscovery of its moral and ideological roots is a critical part of this exercise.⁸

Islam is a universal religion and the Muslim *ummah* is a global community. Faith is the foundation that defines the global nature of Islam for the Muslim *ummah*. *Tawhid* (the Oneness of God) establishes the unity of the universe, the oneness of humanity, the unity of life and the universality of law. Islam is not the religion of any particular nation, people, ethnic group, linguistic or territorial

entity. Islam does not claim to be a new religion: rather it stands for Divine Guidance, provided by the Creator of mankind through all His prophets from the moment life began on earth. In that sense, Islam has been the religion of all Godly prophets and their followers. Indeed, Muslims believe in all the prophets from Adam through Noah, Abraham, Moses, and Jesus to Muahmmad (peace be upon them all).

Islam, literally means 'peace' and 'submission'. It stands for faith in God, as the only object of worship and obedience. It stands for faith in His Prophet as a model and source of guidance. It demands a firm commitment among its followers to live in obedience to the Divine Will and Guidance. *Shari'ah* (literally the Path) is a set of norms, values, and laws that go to make up the Islamic way of life.

Islam believes in freedom of choice and does not permit any coercion in matters of faith and religion.⁹ It spells out a genuinely pluralistic religious and cultural landscape for mankind. It is by free will and dialogue that ideological borders can be crossed. Acceptance of each other, despite differences, is a cardinal principle of Islam. Islam concerns all aspects of human life—faith and worship, personality and character, individual and society, economy and community, national and international concerns. However, overarching these aspects is its moral approach to life and the universe. The physical and the secular have been brought together under the umbrella of the spiritual and the sacred. It does not exclude the worldly dimension; it does not pit the secular as against the sacred. Rather, it integrates all dimensions of life under one moral and spiritual approach. The Islamic approach, therefore, is primarily a moral and ideological approach directed towards all human beings, irrespective of faith, colour, creed, language, or territory. It regards plurality of culture and religion as genuine and respectable. There is also diversity within the Muslim *ummah*. Islam does not stand for any artificial unity, forced conformity, or syncretism. It provides an authentic base for coexistence and co-operation.

Another important aspect of the Islamic faith and civilization relates to its emphasis on values which are absolute and universal, and the identification of certain key institutions which act as permanent pillars for the system and a vast area of flexibility which could cater for the demands of changing times. While its value framework is based on human nature and universal realities, it also acknowledges the need to work out details and develop modalities for the application of this value framework in the context of changing political, economic, and cultural scenarios. While Islam provides an overall regulatory mechanism, it avoids rigid instructions in respect of detailed human formulations. It regards the individual as the cornerstone of society, nay of all creation. Each individual is personally accountable to God. As such, individuals are not merely cogs in the social machine. Society, state, nation, and humanity are all important and have a specific role to play; yet final accountability is at the individual level. This ensures the centrality of the individual in the Islamic system. *Yet it also relates the individual to the society and its institutions and seeks a balanced network of relations between them.*

Islamic morality is based on the concept of life fulfilment, and not of life denial. It is through moral discipline that all dimensions of human activity become a part of virtuous conduct. Personal piety and public morality contribute towards the enrichment of life and the pursuit of personal and social well-being and welfare for all. Wealth is not a dirty word; in fact wealth creation is a desirable goal, subject only to moral values and imperatives. A good life (*hayat al-tayyebah*) is one of the major objectives of human pursuit. Welfare in this world and welfare in the life-to-come are co-dependent, representing two sides of the same coin. It is this spiritualization of the whole secular realm, and an encasement of the entire gamut of worldly life and activities within a moral framework, that enables human beings to simultaneously seek to fulfil their own needs and to create a society wherein the needs of all are also fulfilled. Individual freedom, the right to property and enterprise, the market mechanism, and distributive justice are inalienable parts of the economic framework of Islam. However, there are moral filters at different levels—individual motivation, personal behaviour, social mores and manners, employer–employee conduct, and individual–state relationships. The state has a positive role to play, particularly in the nature of supervision, guidance, and essential regulation; yet also to ensure freedom, economic opportunity, and property rights.

Islam emphasizes a more need-oriented approach, and is committed to establishing a society in which the basic necessities of life are ensured for all members of the human race primarily through personal effort, and reward orientated activity, but to do so in an environment in which those who are disadvantaged are helped to live an honourable life and become active participants in society. While Islam emphasizes wealth creation activities, its real focus is on the creation of a just and egalitarian society where genuine equality of opportunity exists for all. This is only possible if society provides effective support mechanisms for the weaker members of the community. This is done both through the institution of the family and through other organs of society and state. The distinctive contribution of Islam to the economic approach lies in integrating freedom with responsibility and efficiency with justice. Justice is one of the key values and has been described as one of the objectives for which God raised His prophets (The Quran, 57: 25). Guidance does not merely relate to man's spiritual relationship with God: it is no less concerned with man's just relationships with all other humans and the universe.

8.6 THE ISLAMIC APPROACH TO ECONOMICS

The major characteristics of an Islamic approach to economics can be summed up as follows.

1. Life is an integrated whole. A people's culture, like an individual's personality, is indivisible. The entire social order is an organic unity. Economic life and the system of resource allocation cannot be taken in isolation. Specialization and division of work are important, but all elements have to be interrelated, making

a wider matrix. The economic approach is rooted in the faith, the worldview and the moral and cultural framework of a people. It is only through a holistic, integrated approach that all aspects of human life can be taken care of.

2. The Islamic world-view is based on *tawhid* (the Oneness of God), *risalah* (God's prophets as the source of Divine Guidance), *akhirah* (life-after-death, that is the continuity of life beyond death and a system of accountability based on Divine Law). The position of man and woman on the earth is that of God's *khalifah* (representative/vicegerent). He (or she) has been given discretion, will, knowledge and limited authority. His (or her) role, position and mission is described as *istikhlaf*, that is fulfilling God's Will on earth, promoting what is good, forbidding what is wrong, establishing justice (*'adl*) and promoting beneficence (*ihsan*), resulting in attaining high levels of good life (*hayyat al-tayyebah*), both individual and collective. The objectives of the Shari'ah (the Islamic way and code of conduct) in the words of al-Ghazali (d.AD 505), one of the greatest scholars of Islam, are: 'The obligation of the Shari'ah is to provide the well-being of all mankind, which lies in safeguarding their faith, their human self (*nafs*), their intellect (*'aql*), their progeny (*nasl*) and their wealth (*mal*).'¹⁰

3. The core value in the Islamic system, after loyalty to God (*taqwa* or God-consciousness and abidance of His commands), is '*adl* (justice) tempered with beneficence (*ihsan*). '*Adl*, in Islamic terminology, means giving everyone their due. Jurists and other thinkers throughout Muslim history have held justice as the defining characteristic of Islamic life and society, and as an indispensable part of the legal, social, and economic process. In the economic context, Abu Yusuf (d.AD 798) advising Caliph Harun Al-Rashid (d.AD 809) proclaimed that rendering justice to those wronged and eradicating injustice accelerates development. Al-Mawardi (d.AD 1058) argued that comprehensive and multi-dimensional justice promotes solidarity, law and order, development of the country, expansion of wealth, growth of the population, and the security of the country, and that 'there is nothing that destroys the world and the consciousness of people faster than injustice'. Ibn Taymiyyah (d.AD 1328) considered justice to be an essential outcome of *tawhid* (belief in One God). According to him 'justice towards everything and everyone is imperative for everyone and injustice is prohibited to everything and everyone. Injustice is absolutely not permissible irrespective of whether it is to a Muslim or a non-Muslim, or even to an unjust person'. Ibn Khaldun (d.AD 1406) states unequivocally that it is not permissible to engage in economic development without justice and that 'oppression brings an end to development' and that 'decline in property is the inevitable result of injustice and transgression' (Chapra 2001).¹¹ Justice, then is the very soul and breath of the Islamic economic system.

4. The Islamic scheme for social change and regeneration of human societies is unique as it is based on a methodology that is different from the one pursued by all major economic and political ideologies of post-Enlightenment Europe and America. The methodology and strategy of this change, as developed and practised in contemporary secular societies, has assumed that a radical transformation of humans can be brought about by changing the environment and society's

institutions. That is why emphasis has always been placed on external restructuring. The failure of this method lies in ignoring individual persons as its real focus—their beliefs, motives, values, and commitments. It ignores the need to bring about change within men and women themselves, and concentrates more on change in the outside world. What, however, is needed is a total change—*within* people themselves as well as in their socio-economic environment. The problem is not merely structural, although structural arrangements may also have to be remodelled. The starting point must be the hearts and souls of men and women, their perception of reality, and their own place and mission in life.

5. The key elements of the Islamic approach to social change are:

- Social change is not a result of totally predetermined historical forces. Although the existence of a number of obstacles and constraints is a fact of life and history, there is no historical determinism. Change has to be motivated, planned, and achieved through individual and collective effort. And this change should be purposeful, that is, a movement towards the ideal.
- People are active agents of change. All other forces have been subordinated to them in their capacity as God's vicegerent and deputy (*khalifah*) on earth. Within the framework of the divine arrangement of this universe and its laws, it is human beings themselves who are responsible for making or marring their destiny.
- There needs to be change not only in the environment, but also within the hearts and souls of men and women—their attitudes, motivation, and commitment, and their resolve to mobilize all that is within them and around them for the fulfilment of their objectives.
- Life is a network of relationships. Change means some disruption in some relationships somewhere. So there is danger of change becoming an instrument of dis-equilibrium in society. Islamically oriented social change would cause the least friction and disequilibria, as it is a planned and co-ordinated movement from one state of equilibrium to a higher one, or from different states of disequilibria towards equilibrium. Hence, change has to be balanced, gradual and evolutionary. Innovation is to be coupled with integration.

It is this unique Islamic approach which leads to revolutionary changes along an evolutionary trajectory.

6. Self-interest is a natural motivating force in all human life. But self-interest has to be linked to the overall concept of good and justice. Reward for effort and suffering for failure in effort provide the best framework for human society and the economy.¹² Islam acknowledges it and accepts it as a first principle for economic and social effort. But Islam also lays down a moral framework for effort, spelling out values and disvalues, what is desirable and what is reprehensible from a moral, spiritual, and social perspective. *Halal* (permissible) and *haram* (forbidden) provide a moral filter for all human actions. Moderation and concern for the needs of others, along with ones own, become an integral part of the scheme. The concept of reward is also broadened by incorporating within it reward in this world and reward in the life-to-come. This provides a strong

and self-propelling motivation for good and just behaviour, without denying the natural instincts for personal gain. Private property and private enterprise are affirmed as inalienable rights and a natural mode for economic activity. But the very concept and function of property is transformed by the provision of moral and legal filters, and instilling in people's minds and hearts the notion that in all its forms—physical and human, machine power and brain power—property is a *trust (amanah)*, and as such, property rights are subject to moral limits and used as a means of fulfilling ethical objectives—the *Maqaasid al-Shari'ah* (objectives of the Islamic way).

7. Economic effort takes place through the processes of co-operation and competition. The market mechanism is the natural corollary of private property, freedom of enterprise and motivation for profit and reward. Scriptural guidance and historical evidence establish that trade, the promotion of production and the exchange of goods and services, the pursuit of genuine profit, protection of the market mechanism, and a legal framework for the fulfilment of contracts, are pillars of the Islamic economic scheme. Effort, innovation, creativity, division of labour, technology, and skills development have been emphasized by all major Muslim thinkers along with co-operation, compassion, justice, charity, and solidarity. Shams al-Din al-Sarakhsi (d.AD 1090), almost 700 years before Adam Smith, stated

the farmer needs the work of the weaver to get clothing for himself, and the weaver needs the work of the farmer to get his food and the cotton from which the cloth is made... And thus everyone of them helps the other by his work.¹³

A century after Al-Sarakhsi, another scholar, Jafar al-Dimashqi (d.AD 1175), further developed the idea by saying that,

no individual can, because of the shortness of his lifespan, burden himself with all industries. If he tries to do so, he may not be able to master the skills of all of them from the first to the last. Industries are all inter-dependent. Construction needs the carpenter and the carpenter needs the iron smith and the iron smith needs the miner and all industries need premises. People are therefore necessitated by force of circumstance to be clustered in cities to help each other in fulfilling their mutual needs.¹⁴

Ibn Khaldun (d.AD 1406) three centuries before Adam Smith emphasized the crucial role of the division of labour and specialization in economic development and human progress:

It is well-known and well-established that individual human beings are not themselves capable of satisfying all their economic needs. They must all co-operate for this purpose. The needs that can be satisfied by a group of them through mutual co-operation are many times greater than what individuals are capable of satisfying themselves.¹⁵

He also gave a scientific explanation of why trade would promote development when he argued that development does not depend on the stars (i.e. luck) or the existence of gold and silver mines. Rather, it depends on economic activity and the division of labour, which is then dependent on the largeness of the market

and tools. Tools, however, require savings which he defined as the

surplus left after satisfying the needs of the people. Increase in the size of the market boosts the demand for goods and services which promotes industrialisation (*sana'i*), raises income, furthers science and education, and accelerates development. (Chapra 2000: 7)

8. The market mechanism is a fundamental pillar of the Islamic economic scheme. But Islam demands actions by *extra*-market institutions to ensure that the market does not degenerate into 'market fundamentalism' (Soros 1998), and that 'self-interest' and the 'profit-motive' do not create a situation that is socially disruptive and in violation of the norms of justice and fair play. These needs and actions include:

- A moral filter at the level of personal motivation, define limits of permissible (*halal*) and impermissible (*haram*) behaviour by the individual, while institutional arrangements in the form of *hisbah* (ombudsman), social sanctions and specific legal rules and regulations.
- To encourage the family as a social and economic unit to provide an initial system of social security and solidarity.
- Governments to provide: (i) a set of moral, social, and legal provisions for the equitable distribution of wealth in society and laying guidelines for a just incomes policy; (ii) a comprehensive system of social security, both through private philanthropic activities (*sadaqat*—voluntary charity) and a state managed system of public support for the needy and underprivileged (*zakat*—obligatory poor-due); and (iii) in cases where there is market failure in respect of essential utilities and supplies, by way of monitoring, supervisory and regulatory functions, and public support programmes, so that every member of society, irrespective of religion, race, gender, or age is enabled to be in a position to participate in the dynamics of economic life.
- A network of voluntary organizations for the provision of *waqf* (public endowments). Non-commercial provisioning (i.e. by civil society), in an integral part of the Islamic economic scheme, along with provisioning through the market.
- Islam is deeply concerned about the problem of waste, over-utilization, and the excessive exploitation of non-renewable natural resources and the ecological and environmental aspects of economic activity. Its concept of a good life is based on moderation, balance and harmony. It is equally cognizant of the inter-temporal and interpersonal dimensions of economic life. The Islamic economic system is not selective; it is rather comprehensive. On the one hand, it aims to guarantee individual liberty, freedom of choice, private property and enterprise, the profit motive and possibilities of unlimited effort and reward: on the other it seeks to provide effective moral filters at different levels of life and activity and established institutions in the voluntary sector, as well as through state-apparatus to ensure economic development and social justice in society. Even the concept of charity is transformed by making part of it a legal obligation (*haq*—a right in the words of the Quran: 70: 24). As such, distributive justice and social security have become *structured* elements of the Islamic economic system and not merely *voluntary* supplements, as in other systems of life.

Voluntary and obligatory transfer payments are safety nets against poverty and exploitation in society.¹⁶

- The prohibition of certain sources of income is a particularly distinctive plank of the Islamic economic system. The most important prohibition is that of *riba* (usury/interest). Others relate to gambling, speculation, fraud, exploitation, and extortion. Islam lays down an elaborate code of business ethics to ensure honesty, transparency, and equity in business and financial dealings. It should be emphasized that prohibition of interest does not mean that Islam does not allow any reward on capital. Islam is well cognizant that capital, when used productively, is entitled to an appropriate reward. It does, however, oppose a guaranteed, fixed and pre-determined reward for capital. Islam believes that capital and entrepreneurs are both entitled to a share from the profit on the basis of the successful deployment of the investment. Instead of a fixed reward, there will be a variable reward based on actual return. It follows, then, that Islam would prefer to promote an equity-based, risk-sharing, and stake-taking economic system to a debt-based system. Were this to occur, it would have far-reaching implications for the economic and financial organization and management of the economy. An economy based on Islamic principles would be more oriented towards real asset creating economic activities, as against a focus on virtual money rewards. Such an economy is more likely to be more stable, real growth oriented, egalitarian, and participatory.
- Islam has no quarrel with the concept of globalization. *Tawhid* (the Oneness of God) implies the oneness of mankind. The Muslim *ummah* is a universal community both conceptually and historically. The global reach of the human race began at the time of the Prophet Noah in the Bible and the Qur'an. Contemporary changes transforming the entire world into one global city provide unprecedented opportunities, provided the process and its outcome is fair and just. Islam's concern is about the nature, direction, and socio-moral consequences of the manner and consequences of globalization. Globalization as such is not worrying; it could, indeed, be a great blessing for mankind. What must be ensured, however, is that the process is equitable, and does not become a camouflage for hegemony and exploitation of the weak by the powerful.

I would like to conclude this part of the chapter by giving a summary of the interdisciplinary dynamic model for socio-economic organization that Ibn Khaldun suggested to the ruler in the fourteenth century (eighth century Hijri). I believe this is of great relevance for our day and age:

The strength of the sovereign (*al-mulk*) does not become consummated except by implementation of the Shari'ah . . .;

The Shari'ah cannot be implemented except by a sovereign (*al-mulk*);

The sovereign cannot gain strength except through the people (*al-rijal*);

The people cannot be sustained except by wealth (*al-mal*);

Wealth cannot be acquired except through development (*al-imarah*);

Development cannot be attained except through justice (*al-adl*);

Justice is the criterion (*al-mizan*) by which God will evaluate mankind; and

The sovereign is charged with the responsibility of actualizing justice.

(Chapra 2000: 147-8)

8.7 TOWARDS A JUST MODEL FOR A GLOBAL ECONOMY AND SOCIETY

Global capitalism is a reality only in the sense of the global reach of Euro-American capitalism. Nor is it in dispute that several different kinds of capitalism exist within the many countries and regions that are pursuing its particular credo. Yet it is too chivalrous and unrealistic to expect that all the countries of the world should want to come under its umbrella. For example, I feel sure that despite changing political and economic precepts, several European countries and intellectual and political forces would be unhappy about a monogamous commitment to American style capitalism. Japan remains a unique case. The West counts it in its camp. Japanese thinking over the last two decades is not very clear. The prolonged stagnation that has taken hold in Japan since the late 1980s has cast a shadow of doubt and uncertainty over the future of this post-Second World War experiment. Russia, after the collapse of communism, went the whole hog for the capitalist option, but finds itself in a mess. China is pursuing a distinctly Chinese path. East Asian cultures are smarting under the 1997-8 crisis and are having second thoughts about the benefits of market fundamentalism. Third world countries have their own reservations.

The overall picture is, then, hazy and confusing. It is the submission of the present writer that the global economy and society are too fractured and lacking in homogeneity to admit any one model of wealth creation and distribution. The realities as well as the moral, social, cultural, and political aspirations of people belonging to the non-Western world make it imperative that we should all try to cultivate the vision of a genuinely pluralist world, an open society with the free exchange of ideas, technologies, goods, services, finance, and of the movement of human beings. The process, if it is to be successful and respectable, should be transparent and reciprocal. It should not be based primarily on the interests of particular groups or institutions; and certainly not the powerful and the dominant. It must ensure justice, fair play, and consensual arrangements. Hegemonic systems last only as long as the power equation remains undisturbed. And, as history clearly demonstrates, power equations can and do change.¹⁷ Otherwise, once dominant, a power would always have remained dominant. The fact is that history is a graveyard of dozens of superpowers, and, in our own lifetime, we have witnessed quite a few such changes. The message therefore, is that instead of envisaging one dominant system, even with some built-in variations, concerned thinkers and policy makers of the world would better direct their attention to constructing the elements of a genuinely pluralistic world, wherein co-operation as well as competition could play their respective roles.

I have strong reservations as to whether the Muslim world would ever willingly accept the hegemony of global capitalism as it is now evolving, despite their openness to mutually beneficial co-operation and cross-fertilization of ideas and experiments. Capitalism does contain *some* elements that are universal and as such common with other economic systems. But it also contains a great deal that is specific to its historical and cultural context. Its identification with the once

imperial powers of the West, and its present association with the only world superpower, make its incursions into the non-Western world suspicious and destabilizing. The divergence of interests, aspirations, and value frameworks possess not only formidable obstacles to a single over-arching global system, but also raises a range of questions about its desirability.

Western-style capitalism has not been an unmixed blessing in all parts of the world. In particular, many people in the third world have been excluded from its benefits. Neither has its performance in Europe and America been entirely satisfactory. The spectre of poverty is haunting half of the human race. Unemployment is rife in mature capitalist countries. Debt mountains are breaking the bones not only of people in poorer regions of the world, but also of those in many industrialized countries. The genie of financial instability cannot be put back in its bottle. Excessive inequalities remain festering sores on humanity's body. Capitalism has to do a lot to set its own house in order, before it can catch the imagination of the rest of humanity. That is why, in John Dunning's words, the present study seeks to develop a vision, not of classical or contemporary capitalisms, but of Responsible Global Capitalism. Capitalism has yet to prove that it can become responsible in every sense of the word. The moral dimensions that are missing in the present set-up could improve the prospects of capitalism: but we also need the vision of a more responsible world system, where equal opportunities for belonging to other economic alternatives, based on different faith systems and cultures, would exist.

As far as the Muslim *umamah* is concerned, it shares the perception of interdependence between the West and the Muslim world. Dialogue, joint economic ventures, increased trade, and the movement of ideas, goods, and humans can be the building blocks for future co-operation. But as Ibn Khaldun has emphasized, without the pursuit of justice and without establishing a political and management infrastructures which could operationalize and actualize justice in relations between states, economies, and peoples of the world, a peaceful, prosperous, and co-operative global human society may remain a dream.

In this chapter, I have made a humble effort to present an Islamic perspective on the challenge of global capitalism, and have tried to identify some of the challenges that capitalism will have to squarely face if it is to be both sustainable and socially inclusive. If capitalism could become *responsible*, the chances of the healthy coexistence of many social and economic systems would increase. The test would very much lie in the extent to which capitalism could transform itself into a responsible global system, not necessarily the system. Otherwise, capitalism will remain very much an umbrella for Euro-American hegemony, unable to win over the hearts of people of the other world. Furthermore, the possibilities for dissent and challenges from within the Western world cannot be ruled out.

The Muslim world may be politically and economically weak, but there are a significant number of Muslim people who believe that the Islamic economic system is based on a set of universal values and lays down its own foundational principles and institutions. It contains some of the major elements of a natural economy, i.e. individual freedom, the right of property, a market mechanism, the profit motive, and legal and institutional arrangements for wealth creation,

wealth distribution, and individual and social well-being. Though it shares many features with that of other religion-dominated economic systems, taken as a whole, it is unique. It is not autonomous; it is part of the Islamic system and civilization. It envisages an open society within Muslim lands and an open global society of which it would like to be an integral part. This would make the global society a matrix where different cultures and systems can coexist.

While some similarities do exist between certain core values of capitalism and the Islamic system, significant differences do remain, primarily, because of the unique ethos of the Islamic faith and culture. The Islamic economic system operates in the context of the Islamic culture and civilization. This is why Muslim economists do not visualize any variant of capitalism being the dominant economic system in their part of the world. Peripheral concessions or variations based on religion and culture cannot change basic realities. There is vast scope for co-operation among different ideologies and beliefs in the global arena. Certain values are common to all faiths and civilizations; they can act as anchors for a framework for contact, co-operation, and confluence. The idea of one capitalistic system becoming the dominant system over the globe would be a violation of the vision of a genuinely pluralistic world, free from hegemony and clash between warring civilizations. What inspires persons like myself is the vision of a world where all participants have the confidence that they can live according to their own values and yet be partners in a global enterprise.

The tragedy of contemporary global capitalism is that it has become global without winning the confidence of the peoples who inhabit the globe; without developing understanding about shared values and limits of agreement and disagreement; without opting for a path which reduces asymmetries, paving the way for greater harmonization of interests and concerns; and without caring for an international order which has institutions and architecture which could ensure freedom, participation, and the well-being of all. Even some of the icons of global capitalism, like George Soros, acknowledge that, while the market mechanism, individual freedom, and democratic values are essential for human well-being and for the establishment of a peaceful, prosperous, and just world community, 'market fundamentalism' and gross disparities in levels of economic development, financial resources, technological skills, and political power are bound to be obstacles and not aids to healthy globalization (Soros 1998). Free trade is welcome but it has also to be fair trade. Development is a desirable goal but it should be development for all. Wealth is a source of well-being, but it should ensure well-being for all human beings and all regions. This is possible only if the primacy of the moral dimension is established and the pursuit of justice along with efficiency become the cornerstones of the global system.

8.8 CONCLUSIONS

For much of the past two hundred years the capitalist system has been fuelled by the self-interested profit-motive of its participants, with the market being the

predominant (if not the sole) economy. Communism shifted the focus to modes of production under centralized planning or control. The market was superseded by a command economy. Both, despite containing some elements of reality about the most desirable organizational mode of wealth creation and distribution, erred because of their one-sidedness, sometimes brilliant, yet spiritually and morally deficient.

The Islamic approach to economic activity focuses on both men and modes of production, but harnesses them into a balanced and harmonious whole. Mankind remains the focal point, and his well-being is its primary objective. Self-interest, private property, enterprise, and the profit motive are fully safeguarded. The market remains a critical institution for economic decision making. Yet Islam is concerned beyond the market, looking to moral principles, values, and commands influencing human motivation, institutions, and processes at all levels. It is equally concerned with moderating 'self-interest', so as to harmonize the personal with the public good. The ethical orientation of the individual and society supported by social and legal institutions provide the socio-economic matrix for the fulfilment of human objectives. Individual freedom, human rights, and unlimited opportunities for economic action take place within the context of moral norms, ethical imperatives, and a juridico-legal framework. National governments and supra-national entities play a positive role without becoming authoritarian or totalitarian. All economic activity takes place in the context of culture and society permeated by the pursuit of higher goals in life.

I suggest that, in this framework, John Dunning's three Cs¹⁸ should be supplemented by four more Cs and their connotations are also given a wider orientation. The seven Cs propelling the Islamic system then are:

- *Commitment*, based on faith (*iman*) and a world view rooted in *tawhid* (the Oneness of God), and the unity and equality of mankind. Sharing this commitment is the cementing force for community and society.
- *Character*, aiming at the development of a balanced personality in every man and woman, building blocks of a society, on the basis of the Islamic concept of *taqwa*, i.e. God-consciousness, moral discipline, and a firm sense of accountability before God and people.
- *Creativity*, based on knowledge, self-interest, technological innovation, and management with an ambition to serve not only one's self and one's family but also other human beings, good causes, and the noble pursuits of life.
- *Competition*, signifying the centrality of freedom, opportunity, effort, and continuous striving to harness physical and human resources for the achievement of personal and social, worldly and moral, objectives. The Quran emphasizes the principle of healthy competition in the pursuit of good and virtue (The Quran: 2: 148; 5: 48).
- *Co-operation*, to complement the forces of competition, and safeguard it from degenerating into cut-throat economic fratricide. Welded together, competition and co-operation bring solidarity and social cohesion to society and

humanity, along with admitting unlimited opportunities for innovation and progress. The primary institution which acts as the cradle for this unique combination of competition and co-operation is the family. Further, through a network of institutions in society from local to national, regional, and global levels, it enables human beings to have a more sharing and caring model for their interrelationships and for economic and social excellence. The Prophet Muhammad described the entirety of humanity as the 'family of God'.

- *Compassion*, which in an Islamic framework represents a combination of 'adl and ihsan. 'Adl stands for justice in all matters and implies rendering to everyone what is their due, respecting and fulfilling each others' rights. The protection of faith, life, property, and honour is integral to the dispensation of justice. *Ihsan* goes beyond justice. It stands for beneficence, excellence, mercy, affection, and sacrifice. It even goes beyond wishing for others only what one wishes for one's self. It also goes beyond reciprocity which means expecting from others what they should expect from us. *Ihsan* means wishing and doing for others more than what one expects from them. This involves *sacrificing* ones rights for the well-being of others. Pareto's optimality gives way to a higher level of human *choice*. Tempering justice with beneficence gives the true concept of compassion in Islam.
- *Coexistence*, which underpins the idea of freedom, tolerance, mutual respect, and a commitment to live together. This is a genuine plurality which accepts diversity as authentic without compromising on ones own vision and fundamental principles. This means plurality with integrity—a plurality which provides ample scope for interaction without any form of syncretism, hegemony or arbitrary interference. This model holds for all levels: individuals, communities, interest groups, nations, regions, cultures, and ideologies. Dialogue, and not compulsion or obtrusive intervention, is the natural corollary. Coexistence also assumes the presence of effective processes in society for the articulation and resolution of differences and conflicts, and, a commitment to live together despite all differences. This could be a model for peace with justice and freedom.

As for the strategies 'top-down' and 'bottom-up', identified by Dunning, these are not mutually exclusive. In an Islamic framework both strategies are expected to be pursued simultaneously, blending one with the other. Moral values, monetary incentives, rewards and punishments, altruism, sacrifice, compassion, custom, traditions and public opinion, social institutions, the law and the state all play definite but limited roles. The hierarchy of rights and obligations with self-enforcing processes is the sheet anchor of Muslim society. It is only through a comprehensive and more integrated approach that a just and harmonious society can be established; and with it, a sustainable set of wealth creating and distributing institutions.

The Western liberal paradigm has freedom as its centrepiece. Everything else hovers around it and emanates from it. The Islamic paradigm has freedom, justice, and solidarity rolled into one as its defining character. Justice also means balance and harmony. All three are inalienable complements to each other, and it is in

their harmonious integration that the real flowering of the human genius takes place at individual and collective levels. This is what makes the Islamic paradigm distinct.

Islam, like all revealed religions, adds one more very crucial and decisive dimension to the galaxy of strategies—that the final reward is destined for the life-to-come. Material affluence, social well-being, spiritual bliss, and eternal salvation become different aspects of one model of success (*falah*). Spiritual and material dimensions become two sides of the same coin. Life becomes one organic whole. Death no longer remains the end of life; it only represents the beginning of a new phase of existence. Life and life-after-death become two phases of the same stream. Man's position in the world and every man and woman's relationship with each other and the universe assume a very different significance in this purpose-oriented, holistic vision of human destiny. The secular and the sacred are fused, and transcendence comes within human reach. This makes the system unique. It is not possible to place Islam with any other 'ism' in juxtaposition with each other, seeking some integrated religious doctrine. It is however, possible for various 'isms' and Islam to coexist, compete, co-operate and contribute towards the betterment of the human race.

NOTES

1. G. D. H. Cole in his entry on 'Capitalism' observes: 'the word Capitalism was largely popularised by socialists as a name for the economic system they were attacking' (Cole 1964: 70); Robert Hessen goes a step further and says: 'Capitalism, a term of disparagement coined by socialists in the nineteenth century is a misnomer for "economic individualism" which Adam Smith earlier called "the obvious and simple system of natural liberty"' (Hessen 1993: 110).
2. 'Indeed, Herbert Spencer and others equated the competitive market forces of supply and demand with Darwin's biological forces of natural selection: market competition, too was survival of the fittest. This connection—"Social Darwinism"—is not accidental' (Dalton 1974: 45). In another context Keynes writes: 'The Economists were teaching that wealth, commerce, and machinery were the children of free competition—that free competition built London. But the Darwinians could go one better than that—free competition had built man... The principle of Survival of the Fittest could be regarded as a vast generalisation of the "Ricardian Economics"' (Keynes 1926: 13–14).
3. 'Democracy and capitalism have very different beliefs about the proper distribution of power, one believes in a completely equal distribution of political power, "One man, one vote", while the other believes that it is the duty of the economically fit to drive the unfit out of business and in to economic extinction... Survival of the fittest and inequality in purchasing power are what capitalist efficiency is all about' (Thurow 1996: 242; see also pp. 245–8).
4. George Soros underpins this point extensively in his book *The Crisis of Global Capitalism*. The central contention of this book, he claims 'is that market fundamentalism is today a greater threat to open society than any totalitarian ideology' (Soros 1998: xxii).
5. Kennedy (1988: 190); Bairoch (1982: 269–333); Alam (2000).
6. Branca Milanovic, of the World Bank, gives the following summary of his findings on income distribution based on household surveys: world income inequality is very

high: the Gini coefficient is 66 if one uses incomes adjusted for differences in countries' purchasing power, and almost 80 if one uses current dollar incomes. World inequality has increased (using the same sample of countries) from a Gini of 62.8 in 1988 to 66.0 in 1993. This represents an increase of 0.6 Gini points per year. This is a very fast increase, faster than the increase experienced by the United States and the United Kingdom in the 1980s. (The Gini coefficient is scale-invariant: thus larger and smaller units can legitimately be compared.) The increase of inequality between 1988 and 1993 occurred both between-country and within-country. However since their relative proportions remained the same, it was the between-country inequality which, being much larger, drove overall inequality up. The bottom 5% of the world grew poorer; as their real incomes decreased between 1988 and 1993 by one-quarter, while the richest one-fifth grew richer. It gained 12% in real terms, that is its income grew more than twice as much as mean world income (5.7%). A number of other statistics can be generated from world income distribution. These are some examples: The richest 1% of people in the world receive as much as the bottom 57%, or in other words, less than 50 million of the income-richest people receive as much as 2.7 billion poor people. An American having the average income of the bottom US 10% is better off than two-thirds of the world's population. The top 10% of the US population has an aggregate income equal to the income of the poorest 43% of people in the world, or put differently, the total income of the richest 25 million Americans is equal to the total income of almost 2 billion poor people. The ratio between the average income of the world's top 5% and the world's bottom 5% increased from 78 to 1 in 1988 to 114 to 1 in 1993. 75% of the world's population receive 25% of world \$PPP income; and the reverse. 84% of the world's population receive 16% of world (unadjusted) dollar income; and the reverse. (Milanovic 2002: 51-92).

7. Muslim countries were engaged in international trade throughout the Middle Ages and the economic relationships spread from Morocco and Spain in the West, to India and China in the East, Central Asia in the North, and Africa in the South. Available historical documentation is supported by the discovery of Muslim coins of the seventh to eleventh centuries found through excavation in countries like Russia, Finland, Sweden, Norway, the British Isles, and countries that were outside the immediate realm of the Muslim political entity which itself spread over three continents (Kramer 1952 and Udovitch 1981).
8. As dealt with in detail by Ahmad (1994); Chapra (1992); Chapra (2000); and Siddiqui (1983).
9. The Quran explicitly lays down the principles that 'there is no compulsion in religion' (The Quran 2: 256). Freedom of choice is the defining element of the human situation. God has given His guidance, but now it is the choice of the humans to accept and follow, or reject it and suffer the consequences of rejection. The message and the warning via the first prophet and guide, Adam, spells out the rules of the game: 'Thus shall come to you from Me the Guidance, then whosoever will follow My Guidance need have no fear, nor shall they grieve. But those who refuse to accept this (Guidance) and reject the signs as false, are destined for the Fire, where they shall abide forever' (The Quran 2: 38-9). 'O Mankind! We created you from a single (pair) of a male and a female, and made you nations and tribes, so that you may know each other, verily the most honoured of you in the sight of God is the one who is most righteous' (The Quran 49: 13), 'If God had so willed, He would surely have made you one community. Instead (He gave each of you a law and a way of life) in order to test you by what He gave you. Vie then, one with another in good works. Unto God is the return of all of you', (The Quran 5: 48).

10. Al-Ghazali, Abu Hamid, *Al-Mustasfa*, quoted by Chapra (2000: 118).
11. References to the original source of this article can be seen in Chapra (2001).
12. Lester Thurow writes: 'All societies need a mixture of self control and social control but even social control is socially instilled... Yet Capitalism has no basis for demanding even self-constraint unless individual actions directly harm someone else. Even Adam Smith two hundred years ago saw that something more was needed. Men could safely be trusted to pursue their own self-interest without undue harm to a community not only because of Utilitarian laws. But also because they were subject to built in restraint derived from morals, religion, customs and education' (Thurow 1996: 30).
13. References to the original source of this article can be seen in Chapra (2001).
14. Ibid.
15. Ibid.
16. There is ample historical documentation for the fact that poverty was totally eliminated from Muslim lands during the periods when the Islamic economic system was in practice. Even now, when obligatory poor-due is not in force, *zakat* and *sadaqat* are the most effective and widespread sources for helping the poor. A recent study by the Agha Khan Foundation about Pakistan revealed that the budget of the Federal Government in Pakistan is around Rs 6 billion (\$100 million) and support to the needy through religious charitable endowments and the like (*zakat*, *sadaqat* and voluntary payments) are responsible for providing Rs 70.5 billion (\$1.2 billion), an amount equating to 11% of the Federal budget. Source: Agha Khan Foundation (2000: 46).
17. Paul Kennedy concludes his study on the *Rise and Fall of Great Powers* as follows: 'In the largest sense of all, therefore, the only answer to the question increasingly debated by the public is of whether the United States can preserve its existing position is 'no'—for it simply has not been given to any one society to remain *permanently* ahead of all others, because that would imply a freezing of the differentiated pattern of growth rates, technological advance and military development which has existed since time immemorial.' (Kennedy 1988: 689).
18. John Dunning, Chapter 1, this volume. The reader might also like to compare these 'C's' to those offered by Jonathan Sacks in Chapter 9.

GLOSSARY OF TERMS

'Adl: Justice, straightness, balance, impartiality, fairness, equilibrium, probity, uprightness, equitable composition, fulfilment of each others' rights.

Akhirah: Belief in life-after-death; the Hereafter

Amanah: Trust, reliability, honesty, good faith.

Halal: Permitted, that which is allowed in the Shari'ah, i.e. lawful.

Falah: Well-being, welfare, salvation, moral and material, in this world and after death.

Haram: Forbidden, prohibited, i.e. unlawful in the Shari'ah.

Hisbah: The process and institution of social accountability, ombudsman. In theology this equates with examination of one's conscience, self-evaluation, and accountability.

Hayat al-Tayyebah: Good life, balanced satisfaction of the material and spiritual needs of human beings, individual and collective.

Ihsan: Beneficence, charity, performance of good deeds, being magnificent towards others.

Istikhlaf: The concept that man is God's deputy, representative and vicegerent, assigned to fulfil God's will through his own voluntary actions and to establish individual and social life based on divinely revealed values and principles.

Islam: Submission, resignation and reconciliation to the will of God, peace.

Khalifah: Vicegerent.

Quran: The divine guidance revealed to the Prophet Muhammad and preserved in the form of the Book. The chief source of Islamic guidance and law.

Risalah: Message, the process of guidance God has laid down for mankind through His representatives known as prophets/messengers. Divine guidance is revealed to the prophets to be conveyed to human beings.

Sadaqat (sing: *sadaqah*): Charitable gifts, alms, voluntary contributions for good causes.

Shari'ah: The way, the Islamic way, the divine guidance given in the Quran and the *Sunnah*, providing a comprehensive code of conduct for different aspects of living, including beliefs and practices, individual and social.

Sunnah: The sayings, actions, and things that were approved by the Prophet Muhammad; the life example of the Prophet, the second major source of Islamic guidance and law.

Taqwa: Godliness, devotedness, God fearing, piety, perfection, discipline, and control over one's self to do what is good and restrain from what is undesirable.

Tawhid: The Oneness and Unity of God, the only Being worthy of worship and obedience.

Ummah: Nation, in the terminology of Islamic law, the whole global Muslim community irrespective of colour, race, language, nationality, or territory.

Waqf: Endowment, Endowment fund, Religious Endowment, Unalienable property committed to certain specific good causes.

Zakat: Legally prescribed alms, obligatory poor-due, which the rich pay for the welfare of the poor and the needy: categories of payers and causes for which the amount can be used are laid down by the Shari'ah. Ideally collected and dispersed through state channels or social institutions.

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