

## **The Missing of Moral Entity in Modern Civilization: Economic Aspect and the Muslim's Economic Struggle**

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**Abstract:** The economic struggle of Muslims within modern civilization inclusive the economic aspect, i.e., the Capitalist Economic System. Although since the great depression in the 1930s, pure Capitalist Economic System is no more practiced by many countries but even modified capitalism is unable to restore a sufficient natural need of moral entity in the economic system, hence the struggle of Muslims that centered on the missing of moral entity in the global economic system. Thus, the focus of this study is on the missing of two moral entities in Capitalist Economic System namely: Filter mechanism to harmonize individual self-interest and social interest and moral market economy. The missing of these moral entities in the Capitalist Economic System required an investigation of moral entity in an alternative economic system. Thus, it is important to look into what the Islamic Economic System have to offer and how Muslims struggle to live economically true to Islamic teachings in the midst of Capitalist Economic System that dominates world economy.

**Key words:** Moral entity, modern civilization, economic aspect, Muslim's economic struggle, Capitalist Economic System, Islamic Economic System

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### **INTRODUCTION**

Modern civilization western model has brought upon the world with many types of development with the absence of moral entity in each of them. Modernization in the aspects of economy, science and technology, social and politics are missing the elements of morality. The call for moral consideration in those aspects is urgent, especially in the economic aspect to be exact in the Capitalist Economic System. The absence of moral entities in Capitalist Economic System has prompted even Western countries not to adopt Capitalist Economic System in its pure or traditional form.

Most of the countries' Capitalist Economic System in the world is having typical of Western democracies. According to Peterson, democratic governments have practiced a modified form of capitalism since the great depression in the 1930s. Fine and Murfin (1984) also noted that one of the crucial features of contemporary capitalism is state economic intervention unlike traditional capitalism which involves minimum government intervention. After Keynes (1936), a British economist, published his book *General Theory of Employment, Interest and Money* his thought profoundly affected the way in which capitalism worked in Western democracies. The events (for example, beginning in the late 1960s, inflation erupted nearly everywhere and unemployment rose. Critical shortages and rising costs of energy,

especially petroleum, played a major role in this change. New demands imposed on the economic system included ending environmental pollution, extending equal opportunities and rewards to women and minorities and coping with the social costs of unsafe products and working conditions. At the same time, social welfare spending by governments continued to grow in the United States, these expenditures (along with those for defence) accounted for the overwhelming proportion of all federal spending of the 20th century and the beginning of the 21st century equally modified the way capitalism worked. Peterson observed, the modified mixed or welfare capitalism has so far been able to prevent economic downturns from gaining enough momentum to bring about a collapse of the magnitude of the 1930s. Researchers believe that the economic downturns (that occurred almost every 10 years) are caused by the lack of moral entities in the economic system.

Hence, the focus of this study is on the absence of moral entity in the economic aspect in particular on two moral entities that are missing from Capitalist Economic System: Filter mechanism to harmonize individual self-interest and social interest and moral market economy.

The absence of those moral entities in the Capitalist Economic System called for an alternative Economic System. Thus, it is important to look into what the Islamic Economic System have to offer and how Muslims struggle

to live economically true to Islamic teachings in the midst of Capitalist Economic System that controls world economy.

#### **FILTER MECHANISM TO HARMONIZE INDIVIDUAL SELF-INTEREST AND SOCIAL INTEREST**

According to Mings and Marlin (2000). Although, many economic systems are strongly influenced by the religious beliefs of their populations (perhaps) no religion on earth is having more of an impact on the economic lives of world's citizens than the religion of Islam. To Muslims, the Capitalist Economic System reduces religion to a matter of individual preference and deprives society of a socially agreed upon filter mechanism which is needed to create a harmony between individual self-interest and social interest.

Hence, unlike all western Economic Systems that treat spirituality and the various religious codes of ethics and beliefs as pursuits left for individuals and families to follow on their own, Islam through the Quran and Sunnah while focusing on the spiritual duties of Muslims also gives instructions on how to construct an Islamic society that is true to the will of Allah. The Syari'ah is the laws that Islamic society must enact and observe (Childs, 2002).

**Recognition of moral purposes of economics:** To reach social goals, the Capitalist Economic System like any other Economic Systems in the West, emphasizes individual preferences, self-interest and the pursuit of material progress (Society's interests are met by maximum production of things that people want and not quality of life that involves non-material dimensions let alone to consider a reference to a higher source than that such as God. In contrast in the Islamic economic tradition, the Quran as the words of Allah is the foundation and reference in outlining a definite framework for the organization of human's economic life (Siddiqi, 2004). Material prosperity and self-interest are the normal human motivation within the Capitalist Economic System (Siddiqi, 2004). Capitalism directs itself towards the wants of the people instead of the will of God (Childs, 2002). According to Siddiqi, the nature and content of the Islamic Economic System is to recognize the moral purposes of economics the purpose are need fulfillment, justice, efficiency, growth and freedom. These purposes are interrelated and are mutually enforced in the Islamic Economic System. On the other hand, modern economics such as the Capitalist Economic System in its pure form has left the issue of equity and justice and need fulfillment

completely untouched (Imtiaz, 2004), instead it has focused primarily on efficiency and growth. Only when economic crises occurred then the issues of justice and need fulfillment being forced upon it but the orthodoxy has generally responded by extolling freedom as the overriding concern (Siddiqi, 2004).

**Government intervention:** In the Capitalist Economic System, self-interest must be promoted and capitalists believe that it can be achieved only with a highly limited government intervention (Friedman, 1980) if competition is present, economic activity will be self-regulating. Government will be necessary only to protect society from foreign attack, uphold the rights of private property and guarantee contracts (during the development of industrial capitalism this situation had serious human costs (e.g., appalling conditions for large numbers of workers). In the late 19th century US government failed to control modern corporations whose practise tend to monopoly and control an entire industry (Reilly and Zangeneh, 1990). The antitrust legislation to illegalise the pursuit of monopoly by business did impede the worst tendencies toward creating monopolies and restraining trade but failed to restore to industry the competition of many small businesses.

Karl Marx who saw this as a failure of capitalism posed strong critics to the system. His critics along with frequent depressions in the major capitalist nations, helped establish vigorous trade-union movements that fought to raise wages, shorten working hours and improve working conditions. A Scottish philosopher and economist Adam Smith and physiocrats (Any of a school of economists founded in 18th century France and characterized chiefly by a belief that government policy should not interfere with the operation of natural economic laws and that land is the source of all wealth. It is generally regarded as the first scientific school of economics Encyclopaedia Britannica (2011) (followers of a school of economic thought) like economist Friedman (1980) believe that there existed a natural order in economics and it would function most efficiently if the state played a highly limited role. The government limited role according to Friedman (1980) is to enforce law and order, provide a means for formulating the rules of conduct, adjudicate disputes, facilitate transportation and communication and supervise the issuance of currency (Their belief was quite opposite of Mercantilism; a direction developed from Capitalism which focus fundamentally on the self-interest of the sovereign (i.e., the state) and not the self-interest of the individual owners of economic resources. In the Mercantilism view, the basic purpose of economic policy was to strengthen

the national state and to further its aims. To this end the government exercised much control over production, exchange and consumption.

Adam Smith and the physiocrats view is certainly different than Karl Marx (whose ideas laid the foundation for the Economic System used in the former USSR) who struck at the fundamental principle of capitalism private ownership of the means of production. Marx believed that land and capital should be owned collectively (i.e., by society) and that the products of the system should be distributed according to need. Their belief was quite opposite of Mercantilism; a direction developed from Capitalism which focus fundamentally on the self-interest of the sovereign (i.e., the state) and not the self-interest of the individual owners of economic resources. In the Mercantilism view, the basic purpose of economic policy was to strengthen the national state and to further its aims. To this end the government exercised much control over production, exchange and consumption. Adam Smith and the physiocrats view is certainly different than Karl Marx (whose ideas laid the foundation for the economic system used in the former USSR) who struck at the fundamental principle of capitalism private ownership of the means of production. Marx believed that land and capital should be owned collectively (i.e., by society) and that the products of the system should be distributed according to need.

Friedman (1980) argued that the United States great depression was caused by government intervention a failure in managing money not a failure of free market capitalism. Thus, government intervention such as tariffs, fixed price and wages, restrictions on entry into various occupations and numerous other departures from simple system of natural liberty (Friedman, 1980) are not welcome in the Capitalist Economic System. In the Islamic Economic System justice must be ensured. This could be gained through cooperation and goodwill which should be the norm for men and women in economic affairs rather than self-interest and self-centeredness and if necessary through government economic intervention. However, the Islamic Economic System does not favor any cooperation such as among producers to achieve maximum profits rather than promoting the interests of society or social objectives and realizing public goods.

**Welfare system:** Justice in the Islamic Economic System is also carried out by zakat that is the rich must give up a part of their possessions to the poor to meet a wide range of social responsibilities. In the Capitalist Economic System, the tax system is used to facilitate social justice but it is increasingly seen as a breach of the rights of the hardworking (Michaelis, 2000). Zakat is quite similar to the

tax system except that zakat is a moral and religious obligation and tax is an economic obligation. The action of non-Muslim governments such as Singapore to collect zakat on behalf of the Muslim authorities is seen by Muslims as fulfilling economic and political responsibilities towards its Muslim minority not as enforcing a religious obligation. Zakat explained in the Quran as:

It is not righteousness that ye turn your faces towards east or west but it is righteousness to believe in Allah (SWT) and the Last Day and the Angles and the Book and the Messengers; to spend of your substance, out of love for Him for your kin, for orphans for the needy, for the wayfarer for those who ask and for the ransom of slaves; to be steadfast in prayer and practice regular charity; to fulfill the contracts which ye have made and to be firm and patient, in pain (or suffering) and adversity and throughout all periods of panic. Such are the people of truth, the Allah-fearing

The Prophet Muhammad (SAW) himself emphasized economic justice by asking one to utilize the resources given by Allah (SWT) including one's own abilities to live and help others live a well provisioned life conducive to moral excellence, hence worldly wealth should be treated as a means to good normal life leading to eternal bliss rather than as end in itself (Siddiqi, 2004). Another means to achieve economic justice is through sadaqah, it is exclusively voluntary and meant to be spent on the destitute (Choudhury, 1999) as revealed by the Quran:

They ask thee what they should spend (in charity). Say: Whatever ye spend that is good is for parents and kindred and orphans and those in want and for wayfarers. And whatever ye do that is good. Allah knoweth it well

Moreover according to Choudhury (1999), the meaning of charity in Islam goes beyond Zakat and Sadaqah. Good deeds such as endowing public property for the general benefit of the needy community (Waqf) building an environmental enclave (Hima) for ecological balance and in general goods and exchanges in society individually and collectively are forms of charity [to attain] social justice, equality and distributive justice (Choudhury, 1999). However, charity in Islam is not meant to generate free-ridership [instead it is to induce] productive transformation of the recipients of charity (Choudhury, 1999). The needy must utilize the resources handed over by the rich in productive activities to alleviate their state of poverty (Choudhury, 1999). If the

needy make no attempt to become productive then the rich has no obligation to give any charities other than zakat. However, it is worthy of note that Islam does not forbid the rich who sincerely wish to keep on giving. Thus Islamic scholars such as Abu Yusuf, Abu Ubayd, Ibn Khaldun, Ibn Taymiyyah, al-Ghazali, al-Tusi and Shah Waliullah of Delhi in their management of the economy, detail interpretation of the Syari'ah relating to economic affair and policy recommendations within the Islamic Economic System towards economic justice were always inspired by the teaching of the Quran and the Sunnah (Siddiqi, 2004).

In Capitalist Economic System, the rich do not generally see other people's needs as a reason to forego their own rights, unless those needs are highly visible and urgent (Michaelis, 2000) such as in response to pictures of starving and homeless people in the media (Yaacob, 2004)

**The use of resources that promise sufficiency for all human beings:** In Capitalist economics people are free to use natural resources to their limit because profit maximization and individual satisfaction are the goals (Friedman, 1980). Owners of land and capital (e.g., buildings, machines and other equipment used to produce goods and services) as well as the workers, they employ are free to pursue their own self-interests in seeking maximum gain from the use of their resources and labor in production.

In Islamic economics, people do have their freedom of ownership and enterprise in making a living out of the natural resources of the world but it must be exercised in ways that promise sufficiency for all human beings (Siddiqi, 2004). There are no rules in Islam that says that a person can not own private property, can not make a profit and can not enjoy the fruits of their labor (Mings and Marlin, 2000). However, natural resources have to be handled as a trust and all economic activities must be conducted in the framework of trusteeship, since the real owner is Allah. Profit maximization is not the goal and neither is individual satisfaction. Both are subjected to constraint imposed by the interest of the society especially when need fulfillment is the objective such as to increase employment opportunities, to keep down the prices of necessities, to increase the supply of certain goods which have social priority and so forth (Siddiqi, 2004). The profit must be gained fairly and not through cheating or at the expense of social interests (Mings and Marlin, 2000). To Islamic economists, individual satisfaction should not be the goal because it

does not mean need fulfillment but rather a pattern of behavior of getting ahead of others such as friends and neighbors which is opposite to the social interest goal in the Islamic Economic System.

**Avoidance of waste:** The Islamic Economic System must also have the elements of efficiency and growth. But as we go through what efficiency and growth mean in Islamic economics we will notice several differences. To achieve efficiency and growth waste is sinful and it is imperative to economize and be sufficient (Siddiqi, 2004). Though Capitalist economics also try to minimize waste to gain efficiency, on the other hand it also promotes luxurious lifestyles. Scott Lincoln Omar Davis observed that Islamic economics perceive luxurious lifestyles as bringing with it arrogance, pomp, grandeur or moral laxity attitudes that lead to extravagance and waste and result in unnecessary pressure on resources, hence reducing societies' ability to satisfy the needs of all. It also promotes unscrupulous ways of earning and generating inequalities of income beyond the normal distribution that is warranted by differences in skill, initiative, effort and risk. Capitalist economists also believe in the theory of scarcity of resources in explaining global economic problems including that related to economic efficiency and growth as if natural resources created by God to be utilized and consumed by humans are never enough.

To Islamic economists the global economic problem, according to Taskhiri (2004) does not lie in the weakness of growth rates of natural resources and their failure to keep up with the population growth rate but it lies in the failure to make ideal use of natural resources as well as in ingratitude for the blessing attitude and squandering the natural, mineral and animal resources. On this matter, the Quran revealed:

And He giveth you of all that ye ask for. But if ye count the favours of Allah, never ye be able to number them. Verily, man is given up to injustice and ingratitude

According to Choudhury (1999), the avoidance of waste is extended from the demand side to the supply side (production side). He observed on the demand side the promotion of dynamic basic needs of life will necessitate a human ecological balance to be maintained. He believes that this will preserve price stability of the Islamic economy and provide plenty for the sustenance of life. Waste avoidance has to be a cooperative effort of two sides the producer/supplier and the demand sides in order to determine the production menu that is based on

appropriate and dynamic basic needs (Choudhury, 1999). Such cooperative efforts will preserve biodiversity and sustain natural resources for economic productivity.

### **MORAL MARKET ECONOMY**

Moral market economy is another moral entity which is missing in the Capitalist Economic System. The system with its free-market concept is missing the elements of moral market economy such as the intervention of social authority in price controls, the concept of profit-sharing and limitation in consumption.

#### **The intervention of social authority in price controls:**

The validity of the control of prices by supply and demand market (market forces) is one of the economic elements that the Capitalist Economic System and the Islamic Economic System disagree upon. In the Capitalist Economic System, free enterprise and market system is one of its key characteristics. This freedom in Islam is limited; set by the Syari'ah and Sunnah where ethics and values are incorporated in explicit forms in everyday social and economic relationships (Reilly and Zangeneh, 1990). The Islamic Economic System regards price control purely by market forces as immoral since it is unrelated to issues of right and wrong which should be determined by a higher source Syari'ah. And Islamic economists believe, the objectives of freedom and efficiency are met only when two situations are satisfied; the distribution of income and wealth is fair and the market is free from deception, coercion, hoarding, monopoly and similar evils. Hence, the intervention of social authority in price controls would be required when it becomes necessary to secure justice and to ensure need fulfilment (Baig, 2004; Siddiqi, 2004).

**The concept of profit-sharing:** The market system in Capitalist Economic System operates with the concept of interest while the Islamic Economic System operates with the concept of profit-sharing the rate of profit and the ratios of profit sharing are determined by Syari'ah. Siddiqi (2004) defines profit-sharing or mudharabah as a percentage of profit obtained by capital owners from their employees/co-workers while the other part of the profits goes to their employees/co-workers, in other words it is an arrangement in which an employer shares some of its profits with its employees. In Capitalist economics, the monetary sector is independent of the real sector or productive sector. Money is treated as a commodity of the monetary sector. The rate of interest is used as a basic

monetary instrument in the efforts to stabilize inflation, to slowdown excess demand for investment resources and to attract world savings into the national economy. As a result according to Choudhury (1999), the monetary sector gains over the real sector through the profit earned on loanable funds. In Islamic economics, the monetary sector (capital flows) and the real/productive sector are strongly linked to reduce macroeconomic instability and dis-equilibrium (Choudhury, 1999). In the Islamic economists' view, the independence of the two sectors has resulted in adverse effects on the poor because the poor gain from the real sectors' activities whereas the rich gains from the money market in terms of earning of interests (Choudhury, 1999). Furthermore, Capitalist economics permits the earning of interest on savings by those who hold money. Capitalist economics also separate savings as an economic activity from the activity of spending. Hence, this has become another cause for the money market and the product market to compete with each other. According to Choudhury (1999), savings draw resources into the monetary sector. Resources thereby, leave the real sector when interest rate prevails as an incentive to savings against spending. Islamic economics is against a system that permits those who hold money to take advantage by earning interest on such savings. In the Islamic Economic System, spending is the basis of resource mobilization. Thus, Choudhury (1999):

when households put monies in Islamic banks, such funds are to be mobilized by the banks in order to earn returns from permissible productive investments. The return on such resources is the return on the real sectoral venture. There is no return of money on money. Money is simply an ex post medium for servicing the real sectoral demand for permissible and productive activities. Risk is shared between agents and sectors in terms of the magnitude of the real sectoral rates of return. The concept of saving as withdrawal from spending is replaced by the idea of resource mobilization into permissible and productive investments through Islamic banks. Banks must rapidly turn money capital into real capital through entrepreneurial activities.

Hence, the savings is investment-oriented rather than interest oriented based on lending (Siddiqi, 2004). The profit-sharing concept is not only practised in the monetary sector and in Islamic bank but also extended to Islamic companies or firms. According to the study by Pfeifer (1998) of the companies and/or firms in Egypt though Islamic firms gain less profit than non-Islamic

firms, salaries and profit distribution in Islamic firms have greater distributional equity (among the employees and between the employer and the employees). Islamic firms pay higher salaries, present more equity in salary distribution and have more balance between the profit and wage shares of output. They are also more likely to share profits with workers (Pfeifer, 1998).

**Limitation in consumption:** In the Capitalist Economic System, the consumers are driven by utility functions that say the more of different things one has the better. Consumers are free to spend their incomes in ways that they believe will yield the greatest satisfaction. This principle called consumer sovereignty reflects the idea that under capitalism producers will be forced by competition to use their resources in ways that will best satisfy the wants of consumers. Self-interest and the pursuit of gain lead them to do this. In the Islamic Economic System, one's economic behaviour should be governed by Islamic ends and values. The Islamic stance on economic behaviour is very clear. A Muslim must strike a balance between the two extremes of worldly benefit and the hereafter:

Islam teaches that man's success lies neither in asceticism nor in materialism that man should neither shun nor renounce material, nor be enslaved and motivated by it. Islam advocates a just balance between the two extremes. It adopts a balance between the spiritual development of an individual and his material needs. Poverty can lead to kufr, warned the Holy Prophet (Sallallaahu Alayhi Wa Sallam) once whilst also pronouncing in another tradition that materialism is to be the chief downfall of this ummah. This golden rule is clearly enunciated in the following verse of the Holy Quran. O Lord! Grant us good in this world and good in the hereafter Good in this world includes economic prosperity acquired by honest and lawful means and good in this hereafter means striking a balance in the world towards achieving it

As a consumer and a Muslim, the first and foremost effort to economically behave towards the Islamic ends and values is that one should understand that not all things, created by Allah in this world are for the purpose of human consumption.

Hence, one should practice abstinence from prohibited items of consumptions such as pork, alcohol and so forth (Siddiqi, 2004). This is strongly emphasized in the Quran:

Forbidden to you (for food) are: dead meat, blood, the flesh of swine and that on which hath been invoked the name of other than Allah that which hath been killed by strangling, or by a violent blow (Muslims are prohibited to eat the meat of animals that have been killed by a violent blow (i.e., blunt objects). Muslims are allowed to hunt for meat using guns with fast and sharp bullets or by a headlong fall or by being gored to death; that which hath been (partly) eaten by wild animal; unless ye are able to slaughter it (in due form) that which is sacrificed on stone (altars) (forbidden), also is the division (of meat) by raffling with arrows (Muslims are allowed to hunt for meat using fast and sharp arrows but if the arrows divide the animal's meat caused it to scatter or cut-off from the animal's body, the scattered or cut-off parts of the meat are not halal to eat by Muslims that is impiety. This day have those who reject faith given up all hope of your religion: yet fear them not but fear Me. This day have I perfected your religion for you, completed My favour upon you and have chosen for you Islam as your Religion. But if any is forced by hunger with no inclination to transgression, Allah is indeed Oft forgiving, Most merciful

The Prophet Muhammad (SAW) taught that your body has right over you and the consumption of wholesome food and the leading of a healthy lifestyle are seen as religious obligations (For example, Muslims are prohibited from consuming pork. Pigs are well known for their scavengers' habits. Their primary food source is anything and everything and they also tend to over eat. Therefore, Islam considers pork unclean to eat. Scientific studies then strengthened this probation. For example, the study of a pig's digestive system found that its stomach acid become diluted due to too much volume of food thus allowing parasites, bacteria, viruses and toxins to pass through into the pig's flesh (Al-Qaradawi, 2005; Treybig, 2005). Muslims believe that consuming Haram food would lead to Haram behaviour:

Even, the noble Prophets were specifically directed to consume halaal because there is a definite link between consumption and implementing the directives of Allah. The capacity to act righteously is directly related to consuming halaal. A body nurtured by haraam becomes incapable of submission to Allah, for honesty is light and falsehood a darkness, both are naturally incompatible to each other. The overshadowing darkness of haraam blots out all rays of light from the heart.

An individual is then unable to implement the laws of Allah, nor is he able to conduct his dealing in an honest manner. Halaal income breeds halaal thought and action while haraam income breeds haraam thought and action

### **MUSLIM'S ECONOMIC STRUGGLE**

Today, Muslims around the world struggle economically to live up to Islamic economic values. They struggle to live a moderate life, to meet social needs (which are not only of their own but also of the public social needs), living up to the Islamic economic life and much more important the internal struggle due to a failure of Muslims to treat Islam as their way of life in their economic life and not merely as a system of faith and worship.

**Moderate consumption:** Islam prescribes moderation and discretion in all aspects of human life including consumption behavior. Muslim consumers are obliged to purchase in moderation, though what level of consumerism is considered moderate is debated among different schools of Islamic economic thought. Nevertheless, Muslims around the world do have the idea of the level of moderation in consumption roughly to purchase what one needs within affordability and useful for oneself and family; to make ideal use of what one has always to be grateful for Allah's blessings and always avoid wasteful behavior.

This attitude towards consumption theoretically does away with the need for advertising and luxurious items, which exist as responses to consumerism. In the Capitalist Economic System, it is always been about higher achievement than others instead of achieving together or prospering together. It is always about getting ahead of others. This is the value entailed by the Capitalist Economic System while Islam teaches its followers to be better today than yesterday together and not at the expense of others and not by compromising religious obligations.

As a Muslim what more could one want than having a way of life that could give one benefit in this world and in the Hereafter that is the Islamic way of life but it is hard to build an Islamic life style when the CNN is advertising a western life style in the most enticing ways 24 h a day in our homes (Baig, 2004). Thus, individual effort towards moderate consumption is a struggle. In the Islamic Economic System moderation in consumption is an important aspect in avoiding waste and in avoiding falling into 'the demand for luxury goods.

However, living in the Capitalist Economic System, not only the minority Muslims in non-Muslim countries but also the majority Muslims in Muslim countries may find moderation in consumption is hard to maintain because as far as the Capitalist Economic System in the countries is concerned it is not the economic priority of the government to ensure a production mix that prevents resources from being spent on luxury items which the conditions of a particular society may not allow (Siddiqi, 2004).

Here in Malaysia, like every other government in the world, the conflict of interest between achieving the economic goal (i.e., profit maximization) and the social and environmental goals (i.e., social interests and natural resources protection, respectively) is always there. Luxurious items are everywhere and in this situation, Muslims at individual and family levels may find it hard to maintain a moderate lifestyle though at this level it is not impossible because at the end of the day (no matter how strong the surrounding temptations are) it is about how strong the individual faith (iman) and commitment towards his religious obligations are. In other words, it is the consumer's choice whether to submit to his religious obligation and be moderate or not with a full knowledge of the consequences following his choice. Hence, for Muslims (in Muslim countries and non-Muslim countries alike) to be moderate in consumption seems to be difficult because the government has no role in ensuring moderate consumption pattern, the role of the government seems to be contradicting each other in one hand to secure social interests and save natural resources with the enforcement of many social policies and environmental laws and regulations and on the other hand to promote economic growth (The environment is often highlighted as a loser when there is economic growth).

However, growth does generate wealth that then provides the opportunity for trade-offs between environmental, social and economic goals. Even so, trade-offs between the environment and development is complex and difficult to address and wealthy countries are more able to make choices on higher environmental standards than poor countries (Whitehead, 2005).

However, since no pure Capitalist economy exist in the world (though the economy of the United States is as close as it gets) (Childs, 2002) intervention by governments in their Economic Systems occur every now and then mainly in response to economic crises though these interventions do not secure a moderate level of consumption in the long run nor there is any intention of the governments to do so. For instance in the 2nd world war, New Zealand government introduced import controls. This has strengthened the do-it-yourself repair and

maintenance culture. This indicates the efforts of New Zealand government to prevent resources from being spent on luxury items which the conditions of a society did not allow.

**Meeting social needs:** In the Islamic Economic System, consumer behavior is oriented toward a welfare function which covers the well being in life after death implying a concern for the welfare of others (Siddiqi, 2004). However, the Capitalist Economic System is oriented toward self-interest and self-satisfactions rather than fulfillment of the needs of society (social interest). Furthermore, the market mechanism serves only those who have purchasing power (Siddiqi, 2004). This situation creates difficulties in meeting consumer needs which are not backed by purchasing power especially when the needs are basic for survival (Siddiqi, 2004). The Muslim and non-Muslim governments alike have periodically intervened in the Economic System. For instance, the transfer of purchasing power from the rich to the poor is done directly (or through the state) via the zakat and/or tax systems (for Muslim countries) and tax system (for non-Muslim countries), respectively.

Malaysia for instance has its zakat system institutionalized while New Zealand government for example, increased subsidies for the agricultural sector to get more production of food in the 1970s though this was mainly to meet Australian demand. Non-Muslim countries such as New Zealand government meets social needs via the welfare system and there are many charity funds managed by autonomous state-supported or privately administered agencies as well while Muslim countries like Malaysia uses both systems, i.e., zakat and welfare systems.

**Living up to the islamic economic life:** In the individual struggle of a Muslim to live one's economic life true to the will of Allah in the Capitalist Economic System, an example of the Islamic Economic System being practiced by Muslim countries would be a great help. Unfortunately, this is not the case. During the 18th, 19th and the first half of the 20th centuries, almost all Islamic nations were colonized by European colonial powers. They managed the economies and finances of these countries in their own interests and in their own ways. Other than the native elites, the Muslim avoided the interest-based financial institutions introduced by the colonial powers (Siddiqi, 2004). Malaysia a former colony of the European colonial powers before the establishment of Islamic Banking in the country in 1983, the existence of interest in the Capitalist Economic System practiced has been argued to be a major aspect for the low participation

of the Malay Muslims in economic activities. Although, they achieved their independence in 1957, the colonial principles are still deep rooted in the economic life of Muslim communities.

Take the issue of taxation for example, Islamic jurists say that taxes may be permissible if they are necessary, reasonable, fair within the ability of the payers and if the means of collection are not harsh. Otherwise they are unjust and Haram (Baig, 2004). Today, the issues of Halal and Haram in taxation in Muslim countries could not be resolved (Baig, 2004) because economic policies including the national budgets and tax decisions are often made by these countries to meet the conditions (such as meeting economic targets and trade liberalization) of the International Monetary Fund (IMF) and the World Bank (BBC News, 2006). It is also difficult for a Muslim to avoid interest in the Capitalist Economic System of finance where interest is entrenched in the system (Baig, 2004). Since, the European colonization over Islamic world, no Muslim country has yet been able to successfully practice a true Islamic Economic System (though the Saudi Arabia is as close as it gets).

There are nations that profess to be Islamic states but their economic systems do not strictly hold on to the Syari'ah set forth in the Quran and Sunnah. Islamic economics are not fully implemented currently in any nation (Childs, 2002).

Today, the majority of Muslims around the world live in a single economic system the global economy. The 20th century was dominated by the Capitalist Economic System. In this system, Muslims participate in many forbidden (not permitted by Islam) economic activities. The majority of Muslims do not consider the Capitalist Economic System as a threat to their cultural identity and to their ability to live according to the will of Allah. They pursue their daily routines as usual in the system because they are so accustomed to it. Day by day their inability to live up to their religious values grew in the face of innumerable temptations to get richer and step up consumption (Kuran, 1997). Hence, with no true example of the Islamic Economic System being practiced in Muslim countries and the strong personal experience of Muslims living in the Capitalist Economic System for so long Muslims face a hard time in behaving economically towards Islamic ends and values.

**Internal struggle:** However, it is undeniable that besides the external causes for the struggle of Muslims to live economically true to the will of Allah the internal causes are much more important. These internal causes are due to a failure of Muslims to treat Islam as their way of life and not merely as a system of faith and worship. Mawdudi, an



Islamic scholar cited by Kuran (1997) has pointed out that today only a minority of Muslims merge their personalities and existences into Islam. They are meant to subordinate all their roles as fathers, sons, husbands or wives, businessmen, landlords, laborers and employers to the one role of being Muslims and Islam should fully control their heads and hearts, their bellies and private parts but besides belief in Allah, offering their prayers and praise to Him and partially abstaining from what is forbidden, the majority of Muslims hardly practice their religion, they live their lives as if they have nothing to do with Islam, their likes and dislikes, daily transactions, business activities and social relations are based solely on personal considerations and self-interest (Kuran, 1997). They are more responsive to a promise of improvement when it is framed as eliminating a loss than when it is presented as providing a new gain (Kuran, 1997). Thus, it is no surprise when Reilly and Zangeneh (1990) point out that one of the weaknesses of the Islamic Economic System is human weakness (Emergence of the Islamic person is the necessary and sufficient condition for the creation and operation of a successful Islamic Economic System). That is an Islamic society requires the existence of Islamic person who abides by the Islamic syariah and sunnah in his/her daily material and spiritual activities. She is expected to be caring and sharing individual who always evaluates others interests and welfare before making a decision.

The Islamic person is God's vicegerent on earth. Three principles organise a person's vicegerency: free will (authority), responsibility and a system of reward and punishment. These three principles emphasise the individualistic aspects of a person, besides Islam also stresses the concept of collective person. That is he does not intentionally embark on an action to enhance his/her self-interest at the expense of his/her fellow human beings.

Another weakness of the Islamic Economic System in Islamic framework is difficult though not impossible to operationalise the Islamic codes and axioms. It is the same problem that any private enterprise market economy faces when it attempts to incorporate ethics, accountability and social responsibility into its rules and regulations. The rigidity of the Islamic framework could be fatal to the system to operate in such a way to obtain productivity, growth and al-Adl (justice) simultaneously (Reilly and Zangeneh, 1990). However, this does not mean that Muslims can stop striving for the balance between productivity, growth and justice in their economic lives).

The outcome of Muslims living so long in the Capitalist Economic System was not all bad. Though, undeniably to live economically true to Allah's will in the Capitalist Economic System is a struggle for Muslims, three aspects clearly indicate that Muslims can

economically function in the Capitalist Economic System and at the same time at an individual level live economically true to the will of Allah: In non-Muslim countries like New Zealand though there are a lot of resources allocated for non-Halal food production to meet the non-Muslims consumers demand Muslims seems to be having no difficulties in living up to their religious obligation. Halal food is to be found almost everywhere in New Zealand ranging from raw Halal food such as Halal meat and chicken to restaurants serving Halal food.

The forbidden foods in Islam such as pork and intoxicating drinks are only of a small portion of the abundance of food on earth that Muslims can eat. Plus there is a wide range of other food such as fruits and vegetables, fish and other sea food and bread and so forth which Muslims do not have to watch for Halal sign or Halal ingredients to consume and all these food are available in any populated part of the world.

Muslims in Muslim and non-Muslim countries have been long colonized by Western powers and thus have been living in the Capitalist Economic System for years. This experience has taught Muslims to economically function in the Capitalist Economic System. In Islamic framework, it is not possible to engage in cost-benefit analysis of the capitalist framework (Reilly and Zangeneh, 1990) (Table 1). Muslims do not resist technologies or products originating in the West.

There is no reason to believe that the Islamic Economic System is opposed to modern science and technology or that it refrains from adopting new technologies (Kuran, 1997). Hence in this sense, one will find little evidence of incompatibility between the Islamic Economic System and the Capitalist Economic System except that in Islamic economics the prior purpose of production and consumption of such products is to achieve the goals of social interests rather than self interest. In other words. This experience has taught Muslims how to make their economic adjustments in ways recognizable by economically Islamic way of living. And this effort is not merely to preserve the Islamic identity but the main concern is to live true to the will of Allah. Muslims are taught to take what is good and acceptable to Islam and leave those that are against Islamic teaching. Furthermore, Muslims are taught about Islamic economic behavior from as small matter as eat when only you feel hungry and stop before you get too full to do(s) and do not(s) in war.

Table 1: The Capitalist Economic System and the Islamic Economic System

Factors	Capitalist	Islamic
Resource ownership	Private	Private
Role of state	Minimal	Substantial
Income distribution	Based on market value	Based on market value
Incentive system	Profit market-based	Profit market-based
Prices	Market-based	Market-based

Reilly and Zangeneh (1990)

Private is defined as: Ultimate owner of all resources is Allah. Humans play the role of the guardian of Allah's resources. In this respect, there is dual definition which is used to show that Islam is for public or private ownership. Value is defined as: The actual wage would be subject to the demand and supply of labor, the degree of religious consciousness, the state of economic development and the degree of state interference. Profit market based is defined as Individuals are assumed to behave according to their own self-interest with the interest of the community in mind. However, the state can provide incentives/punishments for good or bad social behavior. Of course all Muslims are assumed to be ultimately responsible to Allah who provides the ultimate reward or punishment. No non-Muslim country in the world practices a pure Capitalist Economic System. This has allowed some room for Muslims to economically live true to the will of Allah mainly at individual and family level. They try to live true to the will of Allah in their economic activities by emphasizing informal education and inculcation of Islamic values in individuals.

This is done by concerned Islamic groups and other Islamic non-governmental organizations. Though there is a lack of unity among Muslim nations (including in economic activities) as argued by Kuran (1997) but when Muslims exist as a minority in a non-Muslim country they tend to leave out the small cultural, linguistic, historical and political differences and live together in unity as one ummah. It seems that the distinctions have lost their significance when Muslims are willing to restore the vitality of the ummah (Kuran, 1997). It is also observed by Shepard (1985) that these differences have never been a serious issue for Muslims in non-Muslim countries.

## CONCLUSION

Identifying the missing moral entities in Capitalist Economic System a system which dominates the world economy is crucial particularly to a person who called himself or herself a Muslim who's his or her goal of economic life is to achieve Islamic ends and values. The two moral entities that are missing from Capitalist Economic System: Filter mechanism to harmonize individual self-interest and social interest and moral market economy are offered in Islam in an explicit manner, i.e., Quran (Those who devour usury will not stand except as stand one whom the evil one by his touch hath driven to madness). That is because they say; trade is like usury but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their lord, desist shall be pardoned for the past; their case is for Allah (to judge) but those who repeat (The offence) are

companions of the Fire; they will abide therein (for ever). Allah will deprive usury of all blessing but will give increase for deeds of charity; for He loveth not creatures ungrateful and wicked. Those who believe and do deeds of righteousness and establish regular prayers and regular charity will have their reward with their Lord. On them shall be no fear nor shall they grieve. O ye who believe! Fear Allah and give up what remains of your demand for usury if ye are indeed believers, O ye who believe! Devour not usury, doubled and multiplied but fear Allah that ye may (really) prosper, that they took usury, though they were forbidden and that they devoured men's substance wrongfully.

Researchers have prepared for those among them who reject faith a grievous punishment, that which ye lay out for increase through the property of (other) people will have no increase with Allah but that which ye lay out for charity, seeking the Countenance of Allah (will increase). It is these who will get a recompense multiplied) has not stopped at merely reminding man of keeping the value of justice in perspective while economically transacting with others but has gone further to prohibit a transaction that in its view was based on such an injustice (Amjad, 2000). Hence, Muslims should adhere to the Islamic economic values prescribed in the Quran. Muslims in both Muslim and non-Muslim countries should be able to live economically true to Islamic ends and values in the midst of Capitalist Economic System that controls world economy given that no country in the world practices Capitalist Economic System in its pure form and Islamic Economic System offered explicitly the filter mechanism to harmonize individual self-interest and social interest and the moral elements for market economy.

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