

An Islamic Perspective on Governance

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BOOK REVIEW

AN ISLAMIC PERSPECTIVE ON GOVERNANCE, By Zafar Iqbal and Mervyn K. Lewis, Cheltenham (UK) and Northampton, MA(USA); Edward Elgar Publishing Limited, 2009, Pp. xvi + 368. ISBN 978 1 84720 138 6

By obeying God and following the Method of the Prophet Muhammad (peace be upon him), Muslims will succeed triumphantly, both in their secular and spiritual life. God has prescribed for everyone with regard to responsibilities, duties, individual and collective obligations, justice, *Ihsan* (perfection), *Shura* (consultation and deliberation), brotherhood and mutual compassion between human beings. These are the cardinal principles of the governance system in Islam. Therefore, these principles of Islam begin with the responsibility of every Muslims and the true Muslim state. In other word, theory of governance in Islam is closely linked with the rule of law which is related to the concepts of *Shura*, *Ijtihad*¹ and *Ijma*². However, a large space is left open to regulatory efforts to put the law into practice and to adapt it to changing circumstances. The most important aspect is that in the face of divergence between sacred and secularism, Islam must be viewed as blue print of a good governance and an excellent platform of civilisation. The book under review, *An Islamic Perspective on Governance* by Zafar Iqbal and Mervyn K. Lewis, looks like a carefully constructed an innovative idea by setting forth a theory of justice, taxation, public finance and accountability, governance and corruption grounded in a Muslim State. It is a PhD dissertation of the first named author under the supervision of second. The book is organised into ten chapters with preface.

In the first chapter the authors cemented the planning of some of the central issues in public governance, economic governance and taxonomy of governance in Islamic perspective. The authors use both normative and positive approaches to develop a contemporary Islamic standpoint on several key issues. They explore alternative perspectives on governance by developing an Islamic model of governance. Within this frame work, they present the principles of Islamic economies and justice, and highlight the practices of taxation, budget deficits, and government finance. They provide a discussion of individuals' roles and responsibilities and introduce the "gatekeepers" who would ensure accountability within an Islamic society. They also highlight the economic effects of corruption and how to improve governance.

Second chapter offers an introduction to Islamic economic methodology. Islam as a universalistic religion with a definite code of conduct embodied in hierarchical order of authority in The Qur'an, Sunnah (sayings of the Prophet, peace be upon him), *Ijma* (consensus of legal scholars representing all Muslims) and *Qiyas* (a method of deduction via analogy from similar prescriptions). The central point of this chapter is that the major difference between Islamic and western models of governance lay in the role the religious beliefs play in philosophical and economic inquiry. Islamic economists accept revelation as a source of knowledge on metaphysical issues as well as on issues of ethics and justice and scientific activity has to be in line with *Shari'ah* (p. 49). In contrast, for secular economists, economic analysis has generally not been shaped by religious beliefs but based on rational and progressing thinking. The authors argue that while Islam encourages trade and free markets, it does not legitimize such behaviour over all spheres of human activity. Market behaviour derives its rules from the Islamic theory of justice, welfare and standard economics must admit a theory of justice too in order to tackle governance issues.

The authors propose an alternative approach to governance, intended to resolve the current challenge faced by Muslims in assessing the development in knowledge (p.56) since they had handed over that task to the West in the middle Ages.

¹ A technical term of Islamic law that describes the process of making a legal decision by independent interpretation of the legal sources, the Qur'an and the *Sunnah*

² Consensus of legal scholars representing all Muslims.



The authors visualise the contemporary knowledge in conventional economics and finance as being organised within various compartments in a filing cabinet. Each folder is open up, its content examined. Then, Islamic theory in a given sub-field is examined by way of bringing out its underlying values. This methodology selects the theories that are closest to the Islamic spirit. It also discusses the theories of justice and approaches to governance. However, it would be naive to assume that a popular perception of the devised rules of Islamic governance will automatically deliver compliance in a Muslim State. The comparative approach between the methodology of Islamic economics and that of conventional positive economics, which forms the basis for this valuable book on Islamic governance by the authors, provides the reader with a broader basis for understanding the similarities and differences between the various approaches to organizing society and government. The alternative model presented by the authors is valuable as it opens one's eyes to other perspectives, thereby giving scholars the opportunity to look at a diversified range of models.

Third chapter displays and discusses the possible ways of organising economic institutions in accordance with the inner core of Islamic thought while responding to the contemporary needs of markets and governance. For scholars of various backgrounds the authors offer a useful food for thought on Islamic economics. It also fills a gap in the Islamic literature with its focus on modern public finance. It also sheds light on governance issues from the perspective of Islamic economics and compares the Islamic and Western viewpoints on various aspects of governance. It recognises the role that can be played by religious principles in Islam and Christianity and highlights the need to uphold constitutions and strengthen institutions that would replace loyalty to specific persons and their ruling styles. The inner core principles of Islamic jurisprudence are better positioned to feel the relevance of this intellectual exercise.

However, one thing must be noted that the developed countries have durable strategic interests in Muslim countries, and pessimistic Cassandras of the Huntington kind do not stand a chance against their interests by perpetuating Islamophobia. Already Europe and Russia are drawing closer to constructing economic links with some Muslim countries who have rich petroleum and juicy markets. The American Big Brother- is winking discretely at Iran so as not to be outdistanced by European competition. Like a big steamer, the bulky apparatus of American and European diplomacy are describing a wide arc to come round. Despite all the snares and difficulties, Muslim Ummah has capital-God's promise- and Ummah have the key to an Islamic future: faith and good works. But there is a need of systematic approach to deal with the trade-offs between equity and efficiency when these two objectives cannot be pursued independently.

Chapter four investigate the Western and Islamic perspectives of taxation. The authors attribute the Zakah as an integrated approach than the traditional approaches existing in the contemporary Muslim societies. The integrated approach proposes to determine the government finance for public projects and a resource redistribution requirement in conjunction with individual direct tax assessments then leave it to the individual to decide within certain limits the tax portion which he/she will pay as Zakah. This proposal seems superior to its antecedents that are rather based on strict interpretations. While this is a positive move, but one major concern is that, the proposal still relies on a heavy load of bureaucratic apparatus. Evidences say that most of the secular Muslim governments are inherently prone to serving their own objectives.

Eradication of poverty is the one of the principal objectives of Zakah and of every system of familial, parental and humanitarian solidarity. Prophet Muhammad (peace be upon him) said that the "Poverty leads imperceptibly unbelief." Since nothing can be appropriated from a broken-down economy, the struggle for solidarity and against poverty comes, with ardent urgency by the way of development. In managing the Zakah payments, it should be entrusted to an administration of integrity and energy that will consider the broad picture. Instead of distributing the entire Zakah in the form of assistance to the most destitute, it should capitalise a portion of it and reserve it for productive investment. Micro and small size enterprises will thus be able to be created and their returns distributed to the poor who are capable of making a living by taking active part in those concerns. Thus the economic fabric will be strengthened and an effective means of eradicating poverty will be put in practice.

Chapter five deals with the problems of implementing taxation in Islamic countries. In the Islamic history, after the blessed epoch of the Prophet Muhammad (peace is upon him) and his four caliphs, public affairs fell into the hands of absolute powers- and bad governance continues even today in the most of the developing countries. The authors rightly pointed out the main problems of implementation Islamic taxation in the Muslim countries because the governments of the Muslim countries do not have the best records. Firstly, the authors' recommendations concerning the practice of sound fiscal policies while keeping corruption and abuse of power under control are general in nature and produce more questions than answers. Decentralisation or localisation of parts of the redistribution scheme is desirable, for any institutional arrangement that leads to a on centralisation of power, be it reliance on the good faith of the rulers or formation of 'learned committees' of Islamic scholars and institution of *shura* with authority to change the ruler can hardly be expected to outperform a system of direct accountability to the beneficiaries (the public). Secondly, the discretion left to individuals in determining the composition of their taxes as Zakah and non-Zakah could lead to distortions in favour of the Zakah account. Thirdly, there is the question as to whether the government is able to commit itself not to divert the Zakah money to alternative purposes.

If the government lacks credibility or the bureaucracy is plagued by corruption, not surprisingly, too little will be contributed to the official Zakah account. Islamic solution to the problems of Muslim societies, the most pressing being

development which consists of persuading finance ministers of Muslim countries and departments that in serving the economic future of their country, they are serving their own hereafter. The flight of capital and grey matter, two vital ingredients, give rise to an incredible haemorrhaging that drains the very substance of Muslim Ummah. It will be essential for them to return to the Mosques to read once again al-Quran and listen to the sermon; trust in God and then its solemn mutual covenant will restore the Ummah's confidence and inscribe them all under the sacred banner of Islam.

Sixth and Seventh chapters discuss on the Islamic position of budget deficits and financing methods for government bodies respectively. The core principles of Islam impose restrictions on the financial instruments that are developed and commonly used in Western public finance. Given the limited set of funding instruments, the authors' basic prescription for Islamic governments is to avoid budget deficits. Money supply should be kept in line with its demand to follow a zero-inflation path to the extent possible. While zero-interest bonds are compatible with Islam and can be used to raise funds. The real problem is how to raise the demand for these bonds in a world in which individuals discount the future and/or have projects with positive returns. The reader is exposed to normative interventions in economic exchange, the prices of loans, financial transactions, prohibitions of *gharar* (uncertainty) and *riba* (interest) are injustice in Islam; and the parties to an inter-temporal transaction (profit-loss sharing) are recommended to share the risks. Current Islamic instrument like *mudharabah*, *musharakah* and *sukuk al-izarah* etc may be some of the option in an Islamic system. Other instruments which essentially boil down to partnership with the government on a profit and loss sharing base are feasible, but their potential success is also questionable. It should also be noted that adapting the financial instruments to accord with the present interpretation of Islamic scholars' inner core entails an increase in transaction costs, which constitutes a disadvantage for Islamic financial institutions vis-à-vis their Western competitors.

Chapters eight and nine cover accountability and governance; and governance and corruption. In the area of corporate governance, the authors seek to outline an Islamic variant that is even more consultative than ethical or socially responsible investment that incorporates more of an ethical dimension than simple stakeholder theory and that advocates something like a rigorous triple bottom line accountability that includes Shari'ah supervisory boards' in supervision and Shari'ah auditors in auditing, not beholden to management. The authors' recognise that any claims by an Islamic corporate governance to moral high ground "must be tempered by the practical reality of the poor record of many Muslim countries in terms of corruption and economic and public governance" (301). While Western scholars who view corruption at its core as a problem of bad governance requiring institutional reforms, Islamic scholars see it as fundamentally a moral problem. The basic need is a commitment to social justice and public interest. Furthermore, the authors argue the Islamic viewpoints on various forms of corruption and discuss the experiences of Muslim countries. When it comes to how to cure the corruption disease, the chapter nine unfortunately does not offer a new insight. Once again the policy prescription emphasizes individual moral renovation by reviving Islamic values and mode of life in conjunction with improvements in law enforcement.

The economic trap at which Muslim countries have fallen into, and the social Darwinism which is for them its bitter fruit, threaten and will continue to threaten the Muslims' life. This situation is not only in terms of social pace for Muslims that is precarious enough, but also in terms of their very survival as an Ummah (nation). Still they were not born yesterday; their weakness is not congenital-as a thousand-year of history makes clear. The divine rule of the 'rotation of days' and the logical nature of things will not make an exception their case. The illness of Muslim countries is curable only if they strike at the virus in themselves. Only then the symptoms will disappear. There is a way of climbing out of the abyss, provided they know how to neutralise the forces that drag them back down. Their cure and their escape depend on the trust they will be able to place in God and their values.

Chapter ten summarises the Islamic approaches of governance and finds that the achievements of Islamic economics have been disappointing in at least two major respects. First, Islamic economics have not advanced far beyond explicating the *fiqh* (deep understanding of Islamic scholars) solutions and institutional structures of early Muslim polities. Second, Islamic economics have been the dominant model in Islamic societies, and as such, the re-invention of the contemporary conventional financial architecture under a different nomenclature has not been easily attainable (p. 313). The authors acknowledge the fact that corruption defies cultural and religious boundaries and that corruption is an issue in the rich countries as well as the poor, but leave it unexplained how an Islamic model of governance will succeed in controlling corruption.

One prospective way is to implement rules of law. In this case, the controlling mechanism of governance in Islamic system will have to be institutionalised on the model of procedural democracy. But the institution of a moral police or of a tribunal for repressing fraud and unfair promotion will have to be preceded in an Islamic society by promoting 'enjoining good and forbidding evils' through the education of every member of the faithful, men and women. Everyone will be educated so as to be able to distinguish between 'blameworthy' and 'praiseworthy.' But the promotion of goodness and the repression of blameworthiness will not become the means for unleashing anyone on anyone else: disorder and chaos are the most blameworthy of all. Democratic forms and methods applied with precaution and discernment cannot harm *shura*; indeed, *shura* needs them to take effect in the modern world.

Furthermore, organisation of Islamic power has much to learn from the peaceful manner in which differences are dealt with in a democracy. Pluralism will remain in a natural gift that *shura* should not only tolerate, but encourage as dispensable means to active emulation in the course of service to the people. Immorality and corruption seem to be two of democracy's inherent defects. Actually they are the natural penchants of every political class. Power corrupts by its nature, whatever its form. A critical and transparent pluralism can only hold off evil. From the moment that Muslim rulers are engaged in respecting the freely expressed will of the people within norms of Shari'ah, their only weapon will be to fear Almighty God, follow God's words, speak the truth and transparency.

What positively differentiates this book is its comparative analysis incorporating a satisfactory set of references to seminal recent publications in the fields of taxation, justice, ethics and governance. Overall the book is quite persuasive and it offers a very useful introduction to the Islamic approach to good governance, its philosophy and approaches to social issues. Diversity of approaches is enriching and can positively contribute to stronger interaction on the central issues of politics, economics and corporate governance in the light of Islam which are most important and critical tasks of our times. Beyond doubt, Iqbal and Lewis do, however, make a valuable contribution to the audience likely to read their book.

Reference

Iqbal, Z., & Lewis, M. K. (2009). *An Islamic perspective on governance*. Cheltenham (UK) and Northampton, MA (USA): Edward Elgar Publishing. Pp. xvi + 368. ISBN 978 1 84720 138 6

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