

“To Trade or not to Trade’: Ethical Considerations in Islam, Judaism and Christianity”

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Abstract

Ethics is a very important consideration in Islamic finance, and ethical practices are strictly adhered to and followed by the participants in the marketplace of Islamic finance. Islam as a religion observes a system of ethics in which the foundations for practice are founded upon the Quran and the Sunnah, and together form the basis of Shari’ah law. These are the driving forces behind the applicability of ethical banking and financial practices within the Islamic world. There are different standard-settings and Shari’ah compliance monitoring organisations to observe the Islamic financial ethics in their doctrinal sense.²

The Islamic financial industry so termed) is distinct from the traditional and prevalent Western financial practice which is fundamentally influenced by the epistemologies turning wheels of Capitalist theory. Discernible differences between these two financial models in essence are the ethical principles with certain basic social implications and considerations of business transactions within community on a daily basis. The prohibition of riba (“usury”) is one of the most important principles of Islamic finance which is meant to instil into an Islamic society ‘moral’ practices that include risk-sharing, fair dealing, and equity. Similarly Islamic financial law prohibits currency hedging, futures contracts, day trading, and credit cards, as being practised under the conventional Western financial system. Islamic law further prohibits support of industries such as alcohol, gambling, businesses that trade in pork-related products, tobacco, weapons, conventional financial services and other “immoral” activities which is classed as ‘haram’.

By incorporating above principles into financial practices, Islam introduces the concept of justice (“al-‘adl”) and helps to create a just society. It regards any hindrance in the way of creating a ‘just’ society as un-just (“zulm”), which is highly condemned in the Shari’ah.

This paper will thoroughly discuss the above concepts as it addresses the fundamental yet problematic issue of whether Capitalist banking practices can ever be ethical and according to what model those practices will be rendered ethical. Can money and business ever be handled in an ethical way within religious or secular models? The models within other religions, mainly, Christianity and Judaism will be consulted in a bid to discussing a way forward.

This research aims to study and thereafter to examine the ethical foundations of finance in Islam, Christianity and Judaism. The study is specifically conducted with an object of introduction of economic teachings of the three main religions with ethical foundations imbedded in these teachings. The study focuses the effects of these principles on the lives of members of the society.

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² For example, Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) and Islamic Financial Services Board (“IFSB”).

'Good business behaviour is 'ethics without the sermon'³

(Laura Nash)

Introduction

Financial economists have demonstrated the efficiency of utilitarianism, but very often disregarded their societal effects. In recent years, the field of finance has witnessed unethical practices especially after the recent financial crises. These scandals and the recent financial crises reflect that financial engineering and financial derivatives may be used to cause new temptations to cheat the public. There is a great demand at public level for financial ethics and consequently academics and financial practitioners are playing their role to fix the problem. Banking ethics has emerged as a separate field. Hence codes of conduct were drafted for finance professionals for everybody without regarding his or her nationality, culture or religion. Recent economic and financial crises have drawn the attention of the economists in ethical issues and beliefs, and of moral philosophers and theologians in economics and finance. This article will start by comparing the works of theologians, moral philosophers and economists and may conclude with ethical considerations in Islamic finance and similar considerations in other parallel economic systems. This study is confined to an investigation of the view of economics in the world's three major religions, Judaism, Christianity and Islam and their relation to business ethics.

Ethics and economics

'Economics and morality cannot be separated'

(J. Philip Wogman)

Religious teachings are helpful in putting ethical issues, including those pertaining to economics, in a fuller perspective. Scientific methodology cannot answer questions of value which governs human action. Answer to these questions is only possible thorough religious and philosophical argument. Charles Davis asserts that empirical investigation can produce only probable findings without any certain truth.⁴

Economists may have high moral values, but that is regarded as a matter of their personal concern, rather than their professional concern. Pre-classical economists did not separate economics from moral questions. The Scholastic philosophers dealt with both of these together. Adam Smith regarded himself as a moral philosopher as much as a political economist.⁵ Smith's first publication was his *Theory of Moral Sentiments*.⁶ In the period of David Ricardo, economics was separated from its ethical roots.⁷ Personal value judgements were increasingly regarded as non-scientific. Therefore, the subject of economics turned into a positive science from the normative one.⁸ Logical consistent theories proven with empirical results were regarded as good and the theories built on 'sound' moral foundations lost their significance.

³ Nash, Laura, 'Ethics without the sermon', in Andrews and Kay, *Ethics in Practice*, pp. 243-57.

⁴ Davis, Charles, *Religion and the Making of Society: Essays in Social Theology*, Cambridge University Press, 1994, p.31.

⁵ O'Brien, Denis P., *The Classical Economists*, Clarendon Press, Oxford, 1975, p. 24.

⁶ Smith, Adam, *The Theory of Moral Sentiments*, Clarendon Press, Oxford, 1976. Edition edited by Raphael, D.D. and Macfie, A.L..

⁷ This happened with the enquiry on the mechanics of price and wage determination over the issues such as the 'just' price or 'fair' wages. H. Rima, Ingrid, *Development of Economic Analysis*, Irwin, Homewood, Illinois, 1991, pp. 137-67.

⁸ One central concern was to explain how markets actually worked, not how they should work.

Normative economics has regained its significance, especially with the emergence of managerial economics.⁹ This does not mean that managerial economics specifically addresses the ethical issues. However, through formulating moral objectives for management an economic system may be devised to fulfil these objectives. Philosophers on methodological issues like Vilfredo Pareto have raised moral and religious issues. Vilfredo Pareto states that political economy is not required to consider morality, but an economist while adopting a particular practical measure should consider the moral as well as the economic consequences.¹⁰ Science in its advanced form keeps parts of a phenomenon separated but it subsequently put these parts together in a synthesis.¹¹ Hence, economics being a science has to take into account all, the economic, ethical and religious consequences.

John Neville Keynes,¹² tried to distinguish between the positive science and the ethics of political economy.¹³ He believed that economic laws, which are the discovery of positive science, need not pass tests of ethical judgment test. He believed as Pareto believed that economic laws should be separated from ethical judgments. In contrast, Adolph Wagner considered that economic and ethical problems should be treated together.¹⁴

Joan Robinson describes the pre-requisites for an economic system as ‘a set of rules, an ideology to justify them, and a conscience in the individual which makes him strive to carry them out.’¹⁵ Stating differently, markets like command economies need a legal framework in order to function effectively and moral laws are a must in this legal framework. Rules can not only come from natural law, but they can equally be derived from religious laws for example from the written and oral Torah for Jews the Old Testament and the Gospels for Christians and the *Shari’ah* law for Muslims.

Robinson treats “conscience” as an important player in any economic system. Inclusion of conscience in the economic system introduces an ethical dimension to the evaluation of both economic behaviour and economic outcomes. Conscience is required in both moral and economic sense. The history of Business suggests that companies having a moral conscience and a sense of social responsibilities perform better than those preoccupied with material rewards for their management.

Lionel Robbins regards economics as a positive science with no room for propositions with ethical contents.¹⁶ Economic models, no matter how mathematically rigorous they may be, have to face the moral test, one way or the other.¹⁷ Actions of the economic agents are judged whether or not they are moral. Robbins while quoting the definition of economics as defined

⁹ See for example, Mansfield, Edwin, *Managerial Economics: Theory, Applications and Cases*, 3rd ed., Norton, New York, 1995, pp. 4-7 or Hirschey, Mark, Pappas, James and Whigham, David, *Managerial Economics*, Dryden Press, London, 1993, pp. 3-5 and 16-18.

¹⁰ Pareto, Vilfredo, *Manual of Political Economy*, Macmillan, London, 1971, p. 13. Translated by Schwier, Ann from the French edition published by Librairie Droz, Geneva, 1927.

¹¹ Supra at 10.

¹² Father of John Maynard Keynes

¹³ Positive science seeks to discover economic laws and political economy seeks to determine economic ideals, Neville, John Keynes, *The Scope and Method of Political Economy*, 4th ed., Macmillan, London, 1917, pp. 37-46. (1st ed., 1891).

¹⁴ But according to John Neville Keynes, the theory itself may be positive, but the economist’s own choice of subject matter may be determined by his or her ethical values. Further, Wagner and the German school asserted that the British classical tradition had become amoral. For them positive economic theorising could not be distinguished from economics as a practical science which proposed measures with ethical consequences for society. Wagner, Adolph, ‘The present state of political economy’, *Quarterly Journal of Economics*, Vol. 1, No. 1, 1886, pp. 113-33.

¹⁵ Robinson, Joan, *Economic Philosophy*, C.A. Watts, London, 1962, p. 12.

¹⁶ Robbins, Lionel, *An Essay on the Nature and Significance of Economic Science*, 2nd ed., Macmillan, London, 1935, pp. 16-17.

¹⁷ There will always be judgements to be made about the sensitivity of the results to the assumptions, and whether the actions assumed to be taken by the economic agents is moral.

by some as the science of scarce resources, further explains that this scarcity is the outcome of human greed, which comes from immoral desires.¹⁸ According to Robbins resources can be used for competing ends. This refers to the choice of allocating resources for competing sectors such as for the production of military equipment rather than provision of health care, housing, education etc. There are always trade-offs, often with ethical implications.

In the Market systems, there is evidence of inequalities in income and wealth. Some think that the basic needs of everyone should be satisfied so that all humans can live with some degree of dignity.¹⁹ However, most religious teachings do not stress equity, but rather the satisfaction of basic needs through a 'just' system of distribution, with arguments amongst religious scholars about how justice should be interpreted. Bentham,²⁰ presented the concept of utilitarianism, which it is said, took the morals out of economics because John Stuart Mill was influenced by the concept of utilitarianism.

Rosenberg, in his contribution to the Roger Backhouse's volume discusses the cognitive status of economics and makes a comparison with geometry. He concluded that economics has nothing to do with ethics.²¹

Language of a particular text may have religious connotations in terms of the text being clearly understandable, should be free from deception and open to misinterpretation. In economics, definitions and theories are presented in a clearly understandable way in order to avoid misinterpretations which may consequently lead to deception. Therefore, economics linkage with ethics may have to be established.

J.A. Hobson attempts to derive a "human" standard of value, which he sees as preferable to a "monetary" standard.²² He discussed economic and ethical values, including the ethics of property, harmony and discord in economic life and the ethics of bargaining.²³

Economists, such as, Hausman and McPherson consider that economics is a means to an end and the end is "ethics" itself. According to many economists, it is a source that provides an economist with the tools of analysis. These may include, for example, the techniques of welfare economics, the theory of public choice, the economics of altruism and concepts such as "utility". These theories and techniques help in the thinking of moral philosophers. For example Kenneth Arrow's impossibility theorem²⁴ and Amartya Sen's liberal paradox theory²⁵ are helpful in determining public choices. Both have an element of moral issues.

Concept of Trade and Commerce in the light of Quran

¹⁸ Hay, Donald, Review of Bob Goudzwaard and Harry de Lange, *Beyond Poverty and Affluence: Towards a Global Economy of Care*, Erdmans, Grand Rapids, Michigan and World Council of Churches, Geneva, 1995, in Association of Christian Economists Journal, No. 20, 1995, p. 45.

¹⁹ For a lucid discussion of distributional issues from the point of view of applied ethics see Singer, Peter, *Practical Ethics*, Cambridge University Press, 1993, pp. 218-46.

²⁰ Who lived in the second half of the eighteenth century and the early decades of the nineteenth century (1748-1832), was a philosopher and economist.

²¹ Rosenberg, Alexander, 'What is the cognitive status of economic theory', in Backhouse, New Directions in Economic Methodology, Routledge, London, 1994, p. 229.

²² Hobson J.A., *Work and Wealth: A Human Valuation*, Macmillan, New York, 1921, p. 1-18.

²³ Hobson, J.A., *Wealth and Life: A Study in values*, Macmillan, London, 1929, pp. 112-213.

²⁴ Arrow, Kenneth, 'Extended sympathy and the possibility of social choice', *Philosophia*, Vol. 7, No. 2, 1978, pp. 223-37.

²⁵ Sen, Amartya, 'Liberty and social choice', *Journal of Philosophy*, Vol. 80, No. 1, pp. 5-28.

The Muslim conduct in economic affairs is seen as an integral part of religious observance. Therefore economic life is part of a Muslim's everyday life without any difference between the two. In contrast to the Western neo-classical economics, which makes very little or no reference at all to the Biblical teachings, Islamic economics is based on the teachings of the Holy *Quran*. The Prophet *Muhammad* (peace be upon him) was very much concerned with economic justice and rights of the individuals. Prophet *Muhammad* (peace be upon him) had a first-hand knowledge about commerce and trade, being a trader himself. In *Quran*, over 1400 verses refer to the economic issues. *Quran* is not only concerned about the duties and obligations of Muslims but is also concerned about their economic rights and just entitlements to the resources. Islam presented the idea of "productive" and "unproductive" activities and the Western classical economists presented the same many centuries later. Islamic economists regard any task as unproductive which requires no effort, but yet rewarded. It is those who work and will be benefitted:

*'Those who patiently persevere will truly receive a reward without measure.'*²⁶

Interest therefore is not allowed for an activity in which an investor does not actively participate and is regarded as unjust because there is no effort is involved in achieving its dividends. Trade and exchange are recommended as mentioned in the *Quran*:

*'O ye who believe, eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual goodwill'.*²⁷

Similarly in *Quran* it is said in Chapter 35 in *Surah Faatir*:

*'Hope for a commerce that will never fail.'*²⁸

According to *Quranic* spirit any interest charged represents a redistribution of wealth from the poor to the rich which results in the inequalities of wealth to the detriment of the poor. Further, *riba* discourages consumption that takes money out of circulation. It is therefore seen as unjust and inappropriate. The *Quran* prohibits *riba* very clearly and compares this unfavourably with rewards from desirable activities such as trade:

*'They say that trade is like usury, but God hath permitted trade and forbidden usury.'*²⁹

Islam ordains its followers that debtors should be treated with leniency rather than exploited:

*'If the debtor is in a difficulty, grant him time till it is easy for him to repay. If ye remit it by way of charity that is best for you if ye only knew.'*³⁰

The act of charging interest discourages almsgiving. This is because the moneylenders accumulate money by charging interest and keep it for themselves rather than spending on almsgiving.

²⁶ Sura Zumar, 39:10, *al-Quran*.

²⁷ Sura Nisaaa, 4:29, *al-Quran*.

²⁸ Sura Faatir, 35:29, *al-Quran*.

²⁹ Sura Baqara, 2:275, *al-Quran*.

³⁰ Sura Baqara, 2:280, *al-Quran*.

*'The parable of those who spend their substance in the way of God is that of a grain of corn: it growth seven ears, and each ear hath a hundred grains.'*³¹
*'And the likeness of those who spend their substance seeking to please God and to strengthen their souls is a garden high and fertile: heavy rain falls on it but makes it yield a double increase of harvest, and if it receives not heavy rain, light moisture sufficeth it. God seeth well whatever ye do.'*³²

Windfall gains as a result of gambling or the exploitation of others are viewed as unjust. The Holy *Quran* has nine passages that specify the significance of rewards, wherein Allah rewards Muslims both in their worldly life and in the hereafter. The reward promised hereafter is more important, however, the amount of entitlement is not important:

*'God may reward them according to the best of their deeds, and add even more for them out of his grace: for God doth provide for those whom he will without measure.'*³³

In terms of reward, the *Quran* does not lay down a maximum to be gained from a transaction, but there is a minimum to be had, the idea being all Muslims should live with dignity. Almsgiving in the form of *Zakat* and other kinds are viewed as part of a believer's duty in serving God:

*'your riches and your children may be but a trial: but in the presence of God is the highest reward. So fear God as much as ye can; listen and obey; and spend in charity for the benefit of your own soul and those saved from the covetousness of their own souls...If you loan to God a beautiful loan, he will double it to your credit.'*³⁴

Fraudulent and dishonest trading practices are severely condemned. Likewise, competition in the accumulation of material possessions is regarded as harmful for the community:

*'The mutual rivalry for piling up the good things of this world diverts you from more serious things.'*³⁵
*'Give full measure when ye measure, and weigh with a balance which is straight: that is the most fitting and the most advantageous in the final determination.'*³⁶

This material accumulation can therefore be a harmful distraction from other serious concerns, such as coveting of a neighbour's goods which in line with the *Judaic* teachings are condemned:

*'And in no wise covet those things in which God hath bestowed his gifts more freely on some of you than on others: to men is allocated what they earn and to women what they earn.'*³⁷

³¹ Sura Baqara, 2:261, *al-Quran*.

³² Sura Baqara, 2:265, *al-Quran*.

³³ Sura Nuur, 24:38, *al-Quran*.

³⁴ Sura Tagaabun, 64:15-17, *al-Quran*.

³⁵ Sura Takaasur, 102:1, *al-Quran*.

³⁶ Sura Baniiii-'is-ra-'iil, 17:35, *al-Quran*.

³⁷ Sura Baniiii-'is-ra-'iil, 17:35, *al-Quran*.

Transparency in all transactions and trading practices is stressed and it is advised not to get involved in dealings about which someone has little knowledge:

‘And pursue not that of which thou hast no knowledge; for every act of hearing or of seeing will be enquired into (on the day of reckoning).’³⁸

Private ownership of property is allowed but the accumulation of property is regarded as undesired and not an end in itself. Aggressive takeovers and monopolistic activities by driving competitors out of business, is also condemned, the idea being that this should not result in gross injustice.

In the Islamic economics, hoarding is considered highly undesirable, as it removes funds from the circulation, reduces economic activity and causes suffering and hardship to the society and individuals:

‘And there are those who bury gold and silver and spend it not in the way of God: announce unto them a most grievous penalty.’³⁹

Business Ethics in Islam

As stated earlier, in contrast to the western societies, Islam does not distinguish between private morals and business ethics.⁴⁰ Islamic business is based on the principles of *khilafah* and *shura*, the first being the personal responsibility of all Muslims for the resources entrusted to them, and the second being the obligation of resource owners to hear the grievances of those affected by what is done in their name.⁴¹ Similarly, Islamic economist Umer Chapra argues that the Islamic world of economics is based on three principles which should be the guiding principles for development and economic relations. These are *tawhid* (unity), *Khilafah* (vice regency), and *adalah* (justice).⁴² *Tawhid* is the oneness of Allah and that the universe is created by Allah. *Khilafah* is the concept of man as vicegerent to Allah on the Earth and the personal responsibility of all Muslims for the resources entrusted to them.⁴³ A Muslim is vested with the powers of discretion and to run the daily life affairs by using the resources in the most effective, efficient and just way. *‘Adalah* implies a duty to live according to the principles of *Shari’ah* (Islamic law), and avoid all forms of *zulm* (injustice), which involves inequality, exploitation and oppression.

Therefore, in view of the above, ethics are inherent in Islamic business and financial practices and these should be observed both in personal and professional life. A person has to accept these ethics in order to get entry in the marketplace of Islamic finance. *Quran* and *Sunnah* are the main sources from where the principles of Islamic finance are derived. These ethical principles are applied to the financial industry through *Shari’ah* law.⁴⁴ With the expansion of

³⁸ Sura Baniiii-‘is-ra-‘iil,17:36, *al-Quran*.

³⁹ Sura Tawbah, 9:34, *al-Quran*.

⁴⁰ In the West we see a separation of business from private lives, which is not present in the culture of most Islamic countries. This is because in a most of the cases in a Muslim culture small family runs firms and family and business affairs are integrated together.

⁴¹ *Gambling*, Trevor and Karim, Rifaat Ahmed Abdel, *Business and Accounting Ethics in Islam*, Mansell, London, 1991, p. 68-9.

⁴² Chapra, M. Umer, *Islam and the Economic Challenge*, Islamic Foundation, Leicester, 1992. pp. 199-212.

⁴³ Supra at 41 pp. 68-9.

⁴⁴ *Shari’ah* law governs all business transactions of devout Muslims who must be in compliance with *Shari’ah* law in order to observe the principles of Islam articulated in the *Quran*.

Islamic state of *Madina* and the increase in wealth in the hands of Muslims, there was a demand to promote *Shari'ah* compliant investment opportunities.

Regulatory standards have been created by the Accounting and Auditing Organization for Islamic Financial Institutions (“AAOIFI”) to standardize the governance of every Islamic business product and service. All the Islamic financial institutions and all the Islamic mode of financing are encouraged to follow these standards formulated by AAOIFI. In order to have a check whether or not a certain financial product is *Shari'ah* compliant is monitored by *Shari'ah* scholars, who may issue “*fatwa*.” This *fatwa* is a religious blessing certifying the *Shari'ah* compliance of a financial product or service.

Incorporating principles of ethics gives Islamic finance a special status by taking into consideration the social implications of a financial transaction on a “just” society. Prohibition of *riba* is one such principle. One of the advantages of prohibition of *riba* is the prevention from exploitation of someone in a weak bargaining position. Further, it disallows all such earnings which are earned without any effort and are the result of speculation or risky transactions. This prohibition encourages risk-sharing and fair dealing in transactions within the business community and investors. Islamic law promotes a culture where people only spend what they own, compared to a model where consumers are encouraged to spend beyond their pockets.

Islamic law prohibits transactions like currency hedging, futures contract, day trading etc.⁴⁵ It further makes it illegal for Muslims to deal with alcohol, gambling, pork, tobacco products or investing in production of weapons beyond defensive needs. Further to the above, companies having excessive debt, interest bearing securities or having accounts receivables are prohibited to float their shares in the stock market. In this regard, Dow Jones Islamic Index has the job of screening out companies, if they fail to comply with *Shari'ah* principles. The Dow Jones Index tracks securities that are approved by the *Shari'ah* Supervisory Board of the Dow Jones. It screens out securities which have their 5% or more revenue from prohibited or sinful activities. If a company’s revenues from these proscribed prohibited activities are less than 5%, then, investment in that company is allowed but any income derived from it from the prohibited act may go to a charity. The Dow Jones Islamic Fund integrates the ethical principles of *Shari'ah* law into modern equity investing.

Islamic modes of financing may be categorised into two: (a) equity-based financing, and (b) debt-based or “debt-like” financing: a replication of conventional modes of finance. In the former, *Mudarabah* and *Musharakah* are the main modes of financing on the profit-and-loss sharing basis, and these are ideal in terms of their adherence to *Shari'ah* principles. Unfortunately, not many investors are interested in it and its use remains minimal. *Ijarah* and *Murabahah* may be included in the latter category. Others may include *Salam*, *Itisna*, and *Tawarruq*.

As stated earlier, the modes of finance based on profit and sharing are ideal in Islamic finance. But the reality is different as these are the least used by the market players. This may be due to the fact that entrepreneurs are more willing to share risk when there is less chances of failure of the business venture. Similarly, an entrepreneur may not like to share this much of his profits when he is optimistic. He may like to obtain financing on the basis of fixed interest in order to maximise his returns. The theory of fairness makes profit and loss sharing an ideal concept of investment according to the in Islamic law. The profit and loss share mode of

⁴⁵ Though attempts are underway to create productes having same functions but in a *Shari'ah* compliant way.

investment may be comparable to the conventional Venture Capital mode of investment. In the latter, the customer doesn't play any role in the decision making process. Since this model has yet to be realized, a significant opportunity exists for those willing to offer *Shari'ah* compliant banking products.

Business ethics in Judaism

In Judaism, three of the *Ten Commandments* are concerned with economic matters, the commandments not to labour on the *Sabbath*, not to steal and not to covet a neighbour's possessions.⁴⁶

Dealing in usury was seen as legitimate for Jews. There are however verses in the *Leviticus* that prohibit charging interest from the fellow Jews:

*'If one of your countrymen becomes poor and is unable to support himself among you, help him...Do not take interest of any kind from him...You must not lend him money at interest or sell him food at a profit.'*⁴⁷

We may conclude that interest transactions are not allowed among Jews but with non-Jews they may be allowed:

*'Do not charge your brother interest, whether on money or food or anything else that may earn interest.'*⁴⁸

Charging Interest may be allowed from people other than the Jews:

*'You may charge a foreigner interest, but not a brother Israelite, so that the Lord your God may bless you in everything you put your hand to in the land you are entering to possess.'*⁴⁹

In addition, the *Deuteronomy* allows that it may not be wrong to accepting collateral but the poorer should not be exploited.

*'when you make a loan of any kind to your neighbour, do not go into his house to get what he is offering as a pledge. Stay outside and let the man to whom you are making the loan bring the pledge out to you. If the man is poor, do not go to sleep with his pledge in our possession.'*⁵⁰

Undue influence is also condemned such as:

*'If you sell land to one of your countrymen or buy from him, do not take advantage of each other.'*⁵¹

Honest and fair trade is also emphasised:

⁴⁶ Exodus, 2:8-11, 15, 17

⁴⁷ Leviticus, 25:35-38.

⁴⁸ Deuteronomy, 19:19.

⁴⁹ Deuteronomy, 19:20.

⁵⁰ Deuteronomy, 24:10-13.

⁵¹ Leviticus, 25:14.

*'Do not use dishonest standards when measuring length, weight or quantity. Use honest scales and honest weights, and honest ephah (a dry measure) and an honest hin (a liquid measure).'*⁵²

There is a principle of equivalence which calls for a fair exchange of goods in which money is taken as the medium of exchange in transactions facilitated by the market. In the event of shortage of goods, if a seller raises prices then the principle of equivalence is violated and it is highly regarded as socially unjust.

Business ethics in Christianity

In Christian Economic thought Bible is the only source.⁵³ *Homo oeconomicus* or economic man is regarded as impersonal and he is a rational and profit maximizing personality. In Christianity, morality gives this economic man, personality and therefore transforms this economic man into a human being. Man is asked not to worry for wealth because God understands men's needs⁵⁴ and it is stressed to have faith in God. Income disparities are considered normal, but the rich has responsibility to look after the poor⁵⁵ for which they are promised treasure in heaven.⁵⁶ Poor are praised and promised to be rewarded hereafter.⁵⁷ Barry Gordon has referred *Luke's Gospel* where virtues of poverty are discussed.⁵⁸

*"Watch out! Be on your guard against all kinds of greed; a man's life does not consist in the abundance of his possessions."*⁵⁹

*"You fool! This very night your life will be demanded from you. Then who will get what you have prepared for yourself? This is how it will be with anyone who stores up things for himself but is not rich toward God."*⁶⁰

Though a mechanism is not devised in the *Gospels*, but individuals who have resources are strongly advised to take care of basic needs of the poor. In *the Epistle of James* 'pious' and 'poor' are regarded as synonymous.⁶¹ Referring to St. Augustine, he mentions that almsgiving is highly desirable but the goal is not to eliminate poverty but to relieve a person from extreme distress.

Christianity discourages accumulation of wealth. Jacob Viner, describes that wealth accumulation beyond someone's needs is condemned. St. Augustine condemns the wrongful accumulation and acquisition of wealth of other. Similarly, St. Thomas Aquinas shows his concern as how to morally justify over-charging or charging a high price (as a means of accumulating wealth) where goods' supply is scarce. This is again someone is profiting at the miseries of others. Honest labour is recommended for its value in promoting moral discipline and as a protection against the moral hazards of idleness.⁶²

⁵² Leviticus, 19:35-36.

⁵³ In Christianity besides consulting Bible, reference is also made by economic researchers to Old Testament, books of Genesis, Exodus, Isaiah, Leviticus, Ezekiel and Deuteronomy and Psalms.

⁵⁴ Luke, 12:23.

⁵⁵ Hay, Donald, *Economics Today: A Christian Critique*, Apollis, Inter-Varsity Press, Leicester, 1989, p. 49.

⁵⁶ Luke, 18:22.

⁵⁷ Luke, 6:24.

⁵⁸ Gordon, Barry, *The Economic Problem in Biblical and Patristic Thought*, E.J. Brill, Leiden, 1989, pp. 62-3.

⁵⁹ Luke, 12:15.

⁶⁰ Luke, 12:20-21.

⁶¹ James, 1:9-11.

⁶² Viner, Jacob, *Religious Thought and Economic Society*, Duke University Press, Durham, North Carolina, 1978, pp. 31-32.

In Christianity, things are preferred in terms of their ethical values. Doctrine of value deals with different scales such as scale applying to living creatures versus material objects; scale with the value of an item to the community versus its value to an individual. Here is the problem of plurality of scales one being ethical and one being economical or ontological. In Christianity ethical scale is prevailed wherever there is a question of precedence over any other scale. Here we may see the contradiction between ethical and economical or social and individual values. Here we may raise a question about the position of neo-classical economics which is considered as value-judgement free that whether or not it is ethical?

Philosophers value a thing by referring to the concept of ‘Just Pricing’. A material’s use value may be determined with reference to its price⁶³ and Scholastics assert that value of a thing is determined by looking into its ‘just price’.⁶⁴ In determining a just price we have to consider circumstances where seller is forced to sell a good under unavoidable circumstances at a throw away prices. In this case a buyer has to act justly by paying a reasonable price to the seller. According to Aristotle, price is determined by estimation and human need determines the estimation.⁶⁵ Further Scholastics hold that just price is a subjective concept and it should be determined through a market process⁶⁶ provided that exchange should be voluntary. They condemned monopolistic practices and price discrimination and favour competition.⁶⁷ Through manipulation in the market, price of a thing may be increased or decreased without regard to its use value. This may lead to an ‘unjust price’.

An important theme in *Luke* is the obligation of the rich towards the poor, as set out in the parable of *Lazarus*.⁶⁸ On the mechanism of fulfilling basic human needs, there is a debate between Christian Socialists and Christian Democrats. Former stress on progressive taxation and later provides market based solutions like adopting market-based measures which may facilitate wealth creation. Christian democrats while opposing progressive taxation argues that this measure may hamper private investment and hence act of charity. People in control of resources will be held accountable about their way of using resources, which it is sought to be used productively. Resources must be mobilised productively and should not be hoarded unproductively. In Luke, example of a master and his two servants is given where master give funds to both of his servants. One of them utilise funds productively while the other did make use of the fund and he is condemned by his master:

*“Whey then didn’t you not put my money on deposit, so that when I came back, I could have collected it with interest? Then he said to those standing by, ‘Take his mina away from him and ive it to the one who has ten minas... I tell you that to everyone who has, more will be given; but as foir the one who has nothing, even what he has will be taken away.”*⁶⁹

Here, we may deduce that interest is regarded as a legitimate act. According to Scholastics, money is a fungible good and due to its fungible nature rent or interest cannot be paid on money. They consider money as a medium of exchange but regard lending as unnatural and

⁶³ Money helps in determining the price.

⁶⁴ Most writers agree that the concept of the just price had its origins in Roman law, which in turn is based on the notion from Aristotle that price is determined by estimation, a subjective human act in O’Brien, George, *An Essay on Mediaeval Economic Teaching*, Augustus M. Kelley, New York, 1967, pp. 104-5.

⁶⁵ Supra at 64.

⁶⁶ Supra at 64, pp. 106-7.

⁶⁷ De Roover, Raymond, ‘The concept of the just price: theory and economic policy’, *Journal of Economic History*, Vol. 18, No. 4, 1958, pp. 418-38.

⁶⁸ Luke, 16:19-31

⁶⁹ Luke, 19:23-26. To use funds productively is also stressed in parable of the talents in Matthew, Matthew, 25:14-30.

improper.⁷⁰ In their view exchange is productive and natural, whereas money lending involving usury is not.⁷¹ Since ownership is not transferred in investment and investor bears risk of his/her investment therefore, it is acceptable to accept gain on investment while in lending ownership is transferred to the borrower as soon as borrower uses it and any return over and above the principal amount is not just hence prohibited being a usury. Aquinas condemns deliberate attempt of borrower not to pay the principal to the lender on time. In that case Aquinas allows an interest penalty on the borrower by the lender under the principle of equivalence in exchange.

Here we will present John Calvin's view on usury. He reinterpreted usury in the Old Testament and asserts that prohibition of usury between 'brothers'⁷² applies only to Hebrews and not to Christians. Christians are bound by *New Testament* to give charity and do justice.⁷³ As per his teachings borrowers and lenders both should profit from the loan and state can fix rate of interest. Money can be used for the creation of wealth like land and machinery. We may add that some contributors draw a distinction between usury, which contributes to inequality and interest, which is seen as indispensable for modern business activity.⁷⁴ So as per their opinion investors can accept interest returns, and dividends, but they should make sure that businesses are paying 'just' wages.

Business Ethics in Christianity: the Present

'There is no need to mix the oil of religion with the water of business'.

(Williams and Houck)⁷⁵

In the present time, Christians, as I believe a considerable number, consider religious belief is a private matter. Can we say that it is also an individual matter? The answer is certainly not. Christians belong to a Church, involve in alms giving and their religious inclination influence their family lives, and determine their social attitudes and personal values. But in the present day life, we do not see these religious values in their daily business dealings. Therefore, we may conclude that religion is a personal matter in the Christian world.

In West, the introduction of anti-discriminatory legislations for the protection of personal beliefs of employees, discouraged corporate culture based on Christian beliefs. Therefore, the management decisions were devoid of *Gospels'* teachings. This set monetary gain as the goal of the corporate; an end in itself.⁷⁶ If we refer to Christian beliefs, this should be the mean towards end, which is spiritual satisfaction and ultimately to serve God.

Business organisation and structures were very different at the time of Christ from the present one. Now there are corporations and multi-national corporation culture unlike the past where small owner-managed business was the practice. In addition, *Bible* does not contain rules to run a business unlike *Torah*. But what the Christianity has is its message that people are

⁷⁰ Gordon, Barry, *Economic Analysis before Adam Smith*, Macmillan, London, 1975, p. 160.

⁷¹ Supra at 64, pp. 178-9.

⁷² Deuteronomy 23:19-20.

⁷³ Stivers, Robert L., *Reformed Faith and Economics*, University Press of America, Lanham, New York and London, 1989, pp. 39-40.

⁷⁴ Reckitt, Maurice B., (ed.), *The Christian Tradition Regarding Interest and Investment*, The Christian Social Council, London, 1930.

⁷⁵ Williams, Oliver F. and Houck, John W., *Full Value: Cases in Christian Business Ethics*, Harper and Row, San Francisco, 1966, p. 3.

⁷⁶ The modern society of west i.e., technological and corporate society remained more concerned about customer satisfaction, employee rights and other moral objectives, with an ultimate goal of monetary gain.

God's representatives on earth and should behave accordingly in order to honour their Creator. The one way to honour their creator is to help God's creatures. The Judeo-Christian tradition recognises that some individuals are more powerful than others. They should use this power to help others i.e., to use it in facilitating human development and on delegating meaningful work to others so that they too can be empowered in relation to their abilities. Therefore, power is not an end itself rather it is a mean in achieving an end which is human development. Considering above Christian teaching on power, one may question some prevailed business techniques and decisions such as manipulating people for promoting the interests of particular firms. Similarly decisions by managers to reduce number of employees in order to save cost of the business despite the fact that decision may result in considerable hardship to the employee and to the society.

The concept that 'time is money' is another concept in modern corporate world. In the light of current trend of downsizing the work force in order to save cost and money, employees are asked to work longer hours to meet the set targets. Working longer is the cause of suffering in family relations. Now, it is again a ethical concern whether earning money to support their children is more important or spending time with their children is more important. This trend leads us to the question whether Christian belief and current business practices are compatible with each other? There seems a conflict between spiritual and material dimensions.

For Christians life is not a problem to be solved but a mystery to be lived.⁷⁷ Goal achievement in the current corporate culture must not stop people to carry out activities which contribute to their social and spiritual life. Both business executives and follower Christians make sacrifices to achieve their goals, former sacrifice to their religious observing and the later to their worldly matter. Here we may add that there should be a balance in every act. In any case we must not achieve business development at the cost of personal development and similarly the vice versa.

Kenneth Thompson⁷⁸, after the demise of socialism discusses consequences for not having alternatives to capitalism. He shows his concern over neo-individualism which is damaging the communitarian-individualist symbiosis. Paul Morris⁷⁹ has also contributed on the role of internal business decision-making in society and its relationship with government. David Jenkins, the former Bishop of Durham, UK criticised the market economy by branding it as 'wicked enterprise policies'.⁸⁰ But supporters of market economy suggest that it works under certain values like trust and honesty in dealings which are compatible with Christian moral teachings.⁸¹ David Sinclair stresses on human worth of material things and disregards the prices and values of material goods which are not worth to humanity. According to him business should be judged by its contribution to the worth of the disadvantaged and not by the value of its production.⁸²

⁷⁷ Supra at 75, p. 37.

⁷⁸ Thompson, Kenneth, 'Individual and community in religious critiques of the enterprise culture', in Paul Heelas and Paul Morris, (eds) *The Values of the Enterprise Culture: the Moral Debate*, Routledge, London, 1992, pp. 253-75.

⁷⁹ Morris, Paul, 'Is God enterprising? Reflections on enterprise culture and religion', in Paul Heelas and Paul Morris, *the Values of the Enterprise Culture: the Moral Debate*, Routledge, 1992, pp. 276-90.

⁸⁰ Supra at 79.

⁸¹ Griffiths, Brian, *The Creation of Wealth*, Hodder and Stoughton, London, 1984, p. 54.

⁸² Sinclair, David, Price, value and worth', in Hughes, Gordon A. et al., *Justice and the Market*, Centre for Theology and Public Issues, Occasional Paper No. 21, Edinburgh University, 1991, pp. 33-6.

Christian investors should be concerned with ethical screening. Some contributors suggest financial advisors and investors have considerable moral responsibilities so that they may use capital as an instrument to promote social justice in a society. Further, accumulation of capital and creation of capital are two different concepts. The former is materialistic act and the later is a positive act. Towards the fulfilment of this goal, guidance should be taken from *Gospel*.⁸³ People are supposed to use their talents, as they are called by God to a life of enterprise but this should be done with moderation.⁸⁴ Faith in God must come first and any accumulation of goods selfishly is condemned. The reason for condemning accumulation of material good is that it distracts men from the worship of God:

'No servant can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and Money'.⁸⁵

Conclusion

Ethical considerations are important for fair and transparent business dealings. Every religion strongly, relies on ethics. In this regard, the beliefs of people play an important role. In economics, all the three main religions emphasises upon moral concerns in the economic behaviour and these lead to a bigger goal of justice in the society. Since all the religions are concerned with morals and ethics, guidance may be sought from the *Torah*, the *New Testament* or through the *Holy Quran*.

Keeping in view the current Islamic financial practices, we may observe whether or not it is contributing in establishing a just society? In the current Islamic financial practices an already rich have an easy access to the financial resources. A person in real need has to fulfil lengthy procedure to avail these resources. Further, despite the apparent failure of conventional products, current practice in Islamic finance is more based on legal devices (*khial*) mimicking the conventional financial practices. On the contrary, the recommended forms of business practices in *Shari'ah* are not very popular among the investors. Therefore, there is a need not only to frame economic and financial laws in accordance with the teachings of these Holy Scriptures but also to give them the force of implementation. In this regard an empirical research is suggested by studying a business which follows ethical financial teachings in strict sense and comparing it with a conventional business institution based on secular teachings. In the light of those results policies be devised to promote ethical banking among the masses.

⁸³ Wilkie, George, (Chairman, Working Group on Finance and Ethics), *Capital: A Moral Instrument*, St Andrews Press for The Edinburgh University Centre for Theological and Public Issues, Edinburgh, 1992, p. 10.

⁸⁴ *Supra* at 83.

⁸⁵ Luke, 16:13.

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