

Is Morality-Based Islamic Economics an Answer to the Global Financial Crisis? (Jean-Yves Moisseron)

Comments by: Celia de Anca

Beginning with the subprime bubble in 2008 that caused one of the worst financial and economic crises around the world, the image of the financial system has been tainted. Many experts believe that the causes of the financial crisis include too much leverage for banks and companies; as well as too many complex derivative synthetic products. Since 2008, a strong social move has emerged demanding financial organizations to emphasize the real economy as opposed to the financial economy. As a result, many savers and financial consumers are looking for different ways that can meet the financial needs of the people, taking into account at the same time, morals, ethics and the need to improve the societies to which they belong.

In this context, Islamic finance emerges as a strong possibility for providing key elements to the global debate of generating alternative instruments linking finance to ethical values. The paper “*Is Morality-Based Islamic Economics an Answer to the Global Financial Crisis?*” is, therefore, very relevant paper for the current financial debate.

From a scientific point of view it is important to break-down the analysis so as to be able to contribute with focused attention on previous research on each element of the debate; analyze each of them separately and then bring them back together in a comprehensive debate. This interesting paper can give us some ideas as to how to choose specific elements for further scientific research in a focused manner. Specifically, three areas are of particular relevance for specific analysis.

1. Economics versus Finance

Although finance and economics tend to be mixed in general debates, it is important to analyze both fields separately. Economics is generally understood as a social science that studies the production, consumption and distribution of goods and services, and the interaction of their agents in

a given society. Although finance in many respects is an offshoot or outgrowth of economics, the specialization of finance has been more focused in the study of prices, interest rates, money flows and the financial markets.

Since the paper discusses the global financial crisis, I believe further research could focus in deepening the analysis of what Islamic finance has to offer specifically to the international financial debates. Islamic finance has relevant elements in several major areas of finance, such as the time value of money, rates of return and optimal financial structures. Especially the rejection of speculative instruments and the adoption of some unique financial instruments such as *mushārakah*, *mudārabah*, and *ijārah* are crucial and relevant to the international financial debates.

Islamic economics has also rich and interesting elements to bring into the international debate on economic systems, which although related to the debate on financial crisis, has its particular focus on concrete areas such as capitalism versus centralized economic systems or the search for post-capitalism economic systems that emerged and developed largely in the last couple of decades.

2. Shari‘ah-based Economics for Islamic Societies

Another interesting question arising from the paper is whether Shari‘ah-based economics can help Islamic societies. This is a very rich debate in itself and can be integrated into current global debates on the most suitable economic system to help societies to achieve sustained economic growth. Islamic economics does have rich elements to bring to this macro debate that Islamic societies and other societies are facing today.

However another way to look at the question that can also be derived from the paper and which I find particularly interesting is whether Islamic financial instruments are available for particular individuals globally away from specific societies, so that individuals from each part of the world can adopt in their everyday business and in such a way impact their local communities. Today individuals all over the world can consciously decide to put their money where their values are. Therefore, they can adopt the elements more suited for their business that could bring them revenues, but also help improving their

communities. This is the part that has made Islamic finance a very popular form of finance in recent years, since there are many Muslims that choose to invest their money in places according to their values. This is not too different from what we can see in the West with the rise of ethical banks like Triodos or Jak that has behind millions of people that want to put their money where they values are and in this way help the growth of their communities.

Individuals all over the world can benefit from Islamic financial instruments available for them to be integrated with their current business and investments to help improving their societies. Complex IT systems allow focusing at community level while being open and global, that is complex open systems composed of many inter-connected communities.

3. Islamic Thought in the Global Financial Debate

Popular saying states that there is nothing like a good crisis to re-assess your options and look for new alternatives. If there is something needed in the world of finance at present, it is new alternatives!

In searching for new alternatives as the writers of this paper suggest, Islamic financial thinking has a lot to contribute to the global debate. The Islamic financial system and its development over the last few decades are in some aspects close to the current tendencies in the ethical financial movement in the West. Therefore, both need to join forces to bring about a fairer global society. These financial initiatives with strong roots in ethics and religion intend to link financial results with ethical concerns. Ideas from Islamic financial thinkers, ethical thinkers and other thinkers speak the same language, which is the language of the community.

There is a strong debate in Europe on how to reformulate the existing financial order concretely to find a financial system that improves society. Islamic finance and its research on an interest-free lending system can definitely help in the debate providing its experience and ideas and contribute in making a fairer monetary system in Europe and globally. In the case of the financial crisis, interest-free financial system is defended by many thinkers not only from the Muslim world but from the West as well who proclaim the validity of interest-free financial system for financial sustainability.

Today, the global financial world needs everyone to bring about a fairer society. Are Islamic finance and other ethical financial ideas leading the new financial system towards that direction? It is probably too early to tell, but what can be affirmed is that some of its features will definitively open a new fairer channel between the savings of the many and the needs of many.

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