

## **‘Corruption from the Islamic Perspective: Some Recommendations for the MENA Region’**

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**Abstract:** In the Middle East and North Africa Region (MENA) region several factors contribute to corruption with a consequence of savings being squandered away and funds withheld from productive investments. This paper argues that Muslim countries have a competitive advantage over the industrialized world in that the Islamic faith is important to the populace, which the west lacks and is trying to replace it with substitutes like for instance moral education in schools. However, the placement of Islamic moral values in the curriculum – inspired by the Western education system – is being neglected in several Muslim countries. While the point is made to reform the education system by incorporating Islamic values, a number of methods to curb corruption adopted by the industrialized world are mentioned to serve as a model, in particular because external restraints are major weakness of the MENA region.

*The one who deals with honey licks his fingers at times.  
(Handelt einer mit Honig, er leckt zuweilen die Finger.)  
Goethe*

**Keywords:** MENA region, corruption; remedies against corruption economic development; religion and education; western education system; islamic education; moral education; islamic moral values; curriculum; reform of education systems; Qur'an; muslim countries; Arab governments.

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## 1. Introduction

Corruption, generally defined as the abuse of publicly or privately granted authority for private gain or benefit, is a worldwide phenomena and costs the world economy more than \$2 trillion every year,<sup>1</sup> and hence is a major impediment to sustainable development especially in developing countries. One of the crucial characteristics of civilization is political organization. However, in most countries of the MENA region “...*real power...rests with narrowly based elites – drawn from family, tribal, ethnic, or sectarian minorities and almost invariably unelected - ...*”<sup>2</sup> This ruling elite imposes a system that accommodates its own tribal structures and needs. These resemble the centralized state apparatuses of the centrally planned economies and exclude the general public from exerting meaningful influence on policy formulation or decision-making. The experience in the post-communist world is a prime example of that concentration of power is significantly associated with corruption.<sup>3</sup> In the context of the political situation that led to the economic demise of the 1980s Sayigh notes,

*“...it was the nature of the Arab regimes’ power bases and of their systems of control (ranging from police methods to co-option of social forces and the creation of privileged classes)...”* (Sayigh, 1991, p. 499).

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<sup>1</sup> AP Online, 01.22.2004.

<sup>2</sup> Sayigh (1991).

<sup>3</sup> Corruption is also endemic both to American and European politics. For the case of the US see for example Kenneth and Holdbrook (1992, p. 145) and for Europe see Economist ‘Is Europe corrupt?’ January 27th 2000.

Furthermore, high illiteracy and absence of mass education inhibited people to understand Qur'an and *hadith* in order to be able to contest state authority, who in most Muslim countries seek to distance religion from the political sphere.

However, influence of tribalistic people who have been - in the words of Ali (1998, p. 12) - "*the unchallenged source of influence in business, politics, and in almost all realms of life for the last seven centuries,*" is declining in favour of Islamic beliefs, and there appears to be a rising spirit of inquiry in the Middle Eastern societies. An increasing spirit of inquiry means that the new generation believes in the virtue of discussion, in a thorough study of problems before making decisions, and has the tendency to assert the role of information and equal access to it in improving the quality of life and societal welfare (Ali, 1998, p.13). This has also to do with impact of mass higher education, which is being felt only recently. High education levels of the population are likely to be associated with an opposition to corruption.<sup>4</sup> Mass higher education, particularly in Muslim countries, appears to reshape concepts of self, religion, nation, and politics (Eickelman, 1992). The continued resurgence of Islam reshapes, in the words of Eickelman,

*"... national cultures and politics because it constitutes a critique of arbitrary state authority and questions state efforts...to co-opt religious activism."* (Eickelman, 1992, p.652)

Mass education and mass communication seem to facilitate better “ways of knowing” which in turn challenges the authority of traditional religious leaders such as the *ulama*<sup>5</sup> or jurists (Eickelman, 1992), some of whom are said to manipulate Islamic teachings to the advantage of undemocratic political leaders (Al-Suwaidi, 1995, pp. 87-88). This shift to a religious activism is likely to limit corruption by the governments of the MENA region who have sought since mid-1970s to shield their populace from developing any interest for movements such as pan-Arabism<sup>6</sup> or Islam. With Islamic ethics Muslim countries have a “competitive advantage” to control corruption vis-à-vis the rest of the world, because of the significance of Islam – in which a belief to fight against corruption is obligatory - in the lives of the majority of their populations.<sup>7</sup>

This paper attempts to contribute to the ongoing debate on the role of religion in economic development by arguing that Islamic viewpoint and concepts nurturing “good” economic attitudes is the most important remedy against corruption. After briefly describing the Qur’anic rules on ethics in part 2, in part 3 the paper makes recommendations to improve the education system and to introduce regulations to remedy corruption in businesses by looking at the latest experiences of the industrialised world. A conclusion follows in part 4.

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<sup>4</sup> In their empirical research Meier and Holdbrook (1992) find that an increase in college graduates in the American states is associated with a decline in convictions.

<sup>5</sup> The word *ulama* means guardians of the *Sharia*. To understand the knowledge of the Qur’an and the *Sharia* special education under recognized scholars is a prerequisite. Hence, there are only few *ulama* that are able to interpret the Qur’an and derive *fatwah* based on the Qur’an and *hadith*, i.e. the available knowledge on the Prophet Muhammad’s life and his sayings.

<sup>6</sup> Arabs became aware of themselves as a nation not long ago in particular because their political boundaries and separate identities arose during the 20<sup>th</sup> century’s colonialism.

## **2. Causes and Consequences of Corruption in the MENA region**

Although the Muslim countries avail themselves of the world's richest natural resources, its population is among the poorest of the world. The main reason for this paradox is corruption and incompetent leadership. In several countries natural resources are mainly used and controlled by the elite with the inevitable result of underdevelopment. Proceeds of such resources are being used for personal consumption rather than invested in business ventures and infrastructure that are for the benefit of the society as a whole. Poverty in turn brings about corruption also among the civil society and commercial institutions. Indeed, 40% of the countries, which are most corrupt according to the results of Transparency International, are also those, which are the poorest among the developing countries.<sup>8</sup>

It could also be argued that insufficient regulatory infrastructure and institutional deficiency are causing corruption in the Muslim world. This may be only partly true as there is sufficient evidence from the industrialized countries that institutional sophistication does not always help to reduce corruption. Perhaps the latest example of the worldwide extended financial market turbulences caused by the US mortgage lenders is a good example to illustrate this point. A radical reduction of the prime rate in the year 2003 had increased demand and hence for loans among the population. In their greed for wealth and growth (or success from the point of view of the financial adviser) financial institutions had lend billions also to financially weak homebuyers. In most cases lenders

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<sup>7</sup> According to a survey conducted by the World Values Survey between 2000 and 2002 the importance of God was 81.6 % in Egypt, 94.8% in Algeria, 98.5% in Jordan, and 99.2% in Morocco (Tessler, 2002, p. 11).

knew that the client will never be able to come up to its duty of payment and no proofs were required to check eligibility for mortgage loan. Investment banks turned such mortgages into profitable business by selling the rights to collect these loans from borrowers in the form of Asset Backed Securities (ABS) to other financial institutions. These in turn were bundled into bigger packs of financial products known as Collateralized Debt Obligations (CDO). Renowned rating agencies promoted such financial instrument by giving positive evaluations on such products. However, as soon as the interest rates increased most US borrowers were unable to meet their monthly installments. Consequently, ABS of financial institutions became worthless. Several financial institutions around the world required financial injections from their respective central banks. In England bank runs were inevitable (e.g. Northern Rock) and the German Deutsche Bank experienced a decrease in its share price. Due to the detrimental effect of this crisis, expected economic growth figures in the countries involved had to be corrected downwards. The only solution for such cases is to restrict financial regulation for lending. However, it has to be born in mind that there were several financial crisis of this type in the US, e.g. after the Savings and Loans crisis of the 1970s and 1980s which were aggravated by fraud and insider abuse new regulations were enacted. Hence, it can be concluded that unless a person is ethical and unless a company creates and maintains an ethical corporate culture, there will always be loopholes in the law which are given to exploitation by corrupt individuals and there will always be ways to break the law. It has to be born in mind that legal entities (such as industrial companies) cannot be corrupt.<sup>9</sup>

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<sup>8</sup> 'Transparency fordert Pranger für korrupte Firmen', 26.9.07, [www.spiegel.de](http://www.spiegel.de).

<sup>9</sup> In this context Rosen (2002, p. 156-157) notes that the problem of corruption is essentially a human problem. Corruption and injustice cannot ultimately exist between people and a construct called the state. It

Only the employees can be corrupt be they managers or simple workers. However, on an institutional level corporate culture can be ethical, or be very corrupt and make corruption tolerable, if not acceptable, as was the case with Siemens in Germany.<sup>10</sup>

There is also evidence that bribes can promote economic development by overcoming bureaucracy. For example, in countries which have long bureaucratic procedures for getting permission to start a business, bribes might accelerate the process. However, harms of this procedure much outweigh its benefits. As it enriches the bribe-taker unfairly, it discriminates against those who cannot afford to pay and bear the risk of becoming common practice in all spheres of the society and the economy; it can be easily remedied by easing the process for start-ups.

Corruption can be a hindrance to sustainable development. On a national level missed opportunities for due investments and conspicuous consumption can affect future generations in the form of a lack of basis for certain industries and pollution, respectively. In their quest for prosperity and development human beings became oblivious to the fact that natural resources are limited by nature. If natural resources concentrate in the hands of the ruling elite and corrupt leaders, there is a high risk that these resources are being consumed excessively (be it in form of exports or simply through wastage) disregarding future generations and environmental degeneration. This

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can only exist between persons. Rosen explains that what binds persons together is a web of indebtedness and rights and duties that each one of us has on the other. If these are not adhered to then naturally corruption and injustice will ensue.

has also to do with the natural tendency of human beings to prefer current consumption to future consumption. One of the main remedies of this problem is unleashing/unfettering the natural resources from the dominance of the autocratic rulers and by establishing a just economic system which also considers future generations and the environment in its policies. Islamic teachings emphasize human responsibility with regard to natural order: Whatever is in the heavens and the earth belongs to God (Verse 30:26) and human beings are instructed not to upset the balance (*mizan*) set by God (Verse 55:1-12). As the example above on the US mortgage lenders has shown greed can easily lead to corruption. Financial intermediaries play a vital role in fueling excess in the natural order by creating money out of nothing, i.e. through the practice of fractional reserve banking. Excessive production of consumer goods, which are mainly non-biodegradable, and excessive exploitation of the natural resources to meet consumer demand inevitably resulted in irreversible environmental damage and global warming. Because Islam prohibits excessive consumption,<sup>11</sup> emphasizes modesty, commands respect for the natural order not solely for the sake of future generations, Muslim countries have an edge over non-Muslim countries in achieving sustainable development. Given the Islamic resurgence in all spheres of human life, the achievement of such a target does not seem elusive.

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<sup>10</sup> Siemens's managers were receiving instructions from their directorate to give bribes to clients and administrations in order to receive orders. Its exposure had detrimental effect on the reputation of the company.

<sup>11</sup> The Qur'an prescribes clearly a moderation in everything. It is the golden mean by which all Muslims are ordered to live their lives: Thus have we made you a middle nation (Qur'an 2:143).

### **3. Value System in Islam**

Analysing the Global Corruption Report 2003 by the Transparency International one can discern the fact that institutional progress does not necessarily curb corruption because fraud is endemic to both the advanced world and the MENA nations. Institutional reform is far behind in the case of latter. In Muslim countries regulations are not as extensive as they are in the West. This is not only due to an under developed or relatively simpler economic structure than is the case in the industrialised world but also due to relatively low petty crime (e.g. pickpocketing, vandalism),<sup>12</sup> arising mainly from high numbers of practising morally conservative believers in Islam as apposed to the comparatively lower number of practising Christians in the West.

There are two incentive structures in Islam. One is external deterrence (i.e. the law) and the other is a complementary spiritual incentive structure. While the former is delineated in the Qur'an and Sunnah, the spiritual incentive structure is based upon punishment and rewards in this world and in the Hereafter. Adherence to *Qur'anic* rules and *Sunnah* makes the requirement for man-made rules superficial in particular because in Islam man is accountable before his Creator. Thus every action one performs is not weighed against "risk of being caught" but "accountability in the next life" and "punishment by *Allah* (SWT) in this world." However, in the West accountability is limited to the law only. If accountability is limited to the law only, and if there is no ethical code or principles - such as truth, honesty and uprightness - which guide ones consciousness, then the

individual wont be reluctant to pursue his interest by lying, cheating or stealing by simply outweighing the risks and benefits in breaking the law. Hence, the widespread proverb “rules are made to be broken.”

Corruption is mentioned in the *Qur'an* several times. Verse (2:188) states: “*Do not eat up one another's property unjustly nor bribe with it the judges in order that you may knowingly and wrongfully deprive others of their possessions.*”<sup>13</sup> In verse 30:41 serves as deterrent as it is noted that: “*Corruption has appeared on land and in the sea for what men's hands have earned, that He may make them taste a part of that which they have done, that they may return.*”<sup>14</sup> In order to stop the corruptor or mischief doer God gives punishment – as one has earned it - in this world. By doing this God proves his mercy, as it will give the person the opportunity to repent and purify himself.

The *Qur'an* (Verse 3:14) refers to human beings as having a strong desire for hoarded treasures of gold and silver and land, to mention a few. In other verses the *Qur'an* refers to incidences where greed or desire for gain can lead to selfish activities, as in the example of the pious rabbi<sup>15</sup> or the prophet David (PBUH)<sup>16</sup> to be corrupt and neglectful in his prayers, respectively.

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<sup>12</sup> I have interviewed a German project manager who had worked in several countries. In amazement he said that during his appointment in Brazil he had to keep a gun under his pillow, whereas in Saudi Arabia he did not even had to lock his door.

<sup>13</sup> Verses from the *Qur'an* in this paper are taken from: *The Majestic Qur'an. An English Rendition of its Meanings*. 2000 The Nawawi Foundation. 4<sup>th</sup> Edition. The Starlatch Press. In connection with this verse the interpreters of the *Qur'an* used in this paper mention that: “Corruption is changing something good and beneficent into something either harmful or useless. As such it is almost synonymous with pollution.”

<sup>14</sup> The Majestic *Qur'an* (2000).

<sup>15</sup> *Qur'an*, Surah 7, verses 175 and 176. See also Sayyid (1990), pp.102, 103.

In addition, securing the functioning of the society according to the *Sharia* is the duty of each member of an Islamic society. The Prophet once said,

"If someone among you sees wrong he must right it by his hand if he can (deed, conduct, action). If he cannot, then by his tongue (speak up, verbally oppose); if he cannot, then by his gaze (silent expression of disapproval); and if he cannot, then in his heart. The last is the minimum expression of his conviction (faith, courage)."

The *Sharia* takes an extremely serious stance against any abuse of property rights. In Islam problems coming with unclear property rights such as the pollution of waterways by companies are also eliminated by the principle of "accountability in the next life." Planting trees, with the aim to benefit coming generations, or to pick up a stone which might injure someone are fundamental to Islamic conduct. In addition several traditions serve as a precedent against corruption. Great leaders in Islam exemplified at many instances the importance of uprightness. One such an example is set by 'Umar ibn 'Abdu'l-'Aziz, who was one of the leaders of the early Islamic community after the death of the Prophet. It is reported that Umar would extinguish a candle bought by using public funds if people came to see him for a private purpose. In another tradition it is reported that when he was writing to his family, or for a need he had concerning himself, he would request a candle from his own property. With a low value consumer good the great

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<sup>16</sup> Qur'an, Surah 38, verses 30—33. See also Maulana (1991), pp.49, 50.

*Caliph* exemplified the significance of respect for public property in public positions where private greed mixes easily with the public good.<sup>17</sup>

In contrast to other major religions Islam shows ways of achieving righteousness and eliminating evil from the society. For instance, it not only teaches that theft is evil, but also designs a social structure in which theft will be significantly reduced, if not entirely eliminated. To eradicate poverty Islam prescribes a system of *Zakat* (obligatory annual charity) to be given, among others, to the poor and the needy, so that theft due to basic human needs is eliminated. It further prescribes chopping off the hand of the thief.<sup>18</sup> The existence of such a stringent law would reduce the number of thefts, because the potential robber would outweigh the risk of losing his limbs and benefits of stealing. Perhaps the impact of the Islamic law as a deterrent can be best understood when the explanation of the rationale to become corrupt by Klitgaard (1988) is considered. According to Klitgaard (1988, p.70) an individual will rationally choose to be corrupt, if the benefits of corruption minus the probability of being caught times the penalties for being caught is greater than the benefits of not being corrupt. Islamic *Sharia* is therefore more effective than the conventional punishment methods. Especially, in face of proposals for tougher penalties on executives who misled investors in the developed world,<sup>19</sup> the introduction of such a law could be a serious alternative to be considered.

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<sup>17</sup> See Thompson (1993) for an extensive analysis of mediated corruption.

<sup>18</sup> See Qur'an, Surah 5, Verse 38.

<sup>19</sup> Global Corruption Report (2003).

#### **4. Steps towards creating a community of MENA states**

MENA countries have the best basis to establish a 'community of Arab states especially because they not only share core common values<sup>20</sup> but also speak the same language. As alluded to above, MENA governments and leaders are gradually becoming lenient toward the interests of their citizens. This change is also partly induced by the Western financial funds and donors. In several MENA countries<sup>21</sup> civil society organisations are currently or potentially active in eliminating corruption. These groups are also part-financed by international Western organisations such as the European Commission.<sup>22</sup> The first anti-corruption group (The Royal Saudi Political Organization) was formed by a royal family member in Saudi-Arabia in 2003. In the following some areas for development and deterrent policies against corruption are mentioned, which, if addressed and implemented, are likely to improve investment environment and encourage savings.

##### **4.1 Islamic Moral Education**

Employers all over the world recently realised that good education does not seem to be the best basis for an excellent career. According to a survey of employers in England conducted by the Nuffield College in Oxford employers put less emphasis upon qualifications but value secondary virtues such as frankness, good manners and socialableness.<sup>23</sup> The findings are partly due to the deteriorating quality of higher education in the UK but also due to the still prevailing British character stamped by class

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<sup>20</sup> The Inglehart Values Map visualizes the strong correlation of values in different cultures. See <http://www.worldvaluessurvey.org/library/index.html>

<sup>21</sup> In particular Algeria, Bahrain, Morocco, Lebanon, Jordan, Yemen, Palestine and Mauritania.

<sup>22</sup> In 2002 The European Commission has decided to grant Euro 705,000 (European Report; 12/18/2002).

system. Finesse in speech and interactions with others, confident appearance, it is claimed, can only be acquired at parents' house and not necessarily through the current western education system. Hence, leading positions are going to continue to be dominated by upper-class children and unlikely to be occupied by the children of working-class families. However, the preference for employees from upper classes does not seem to bring always the expected outcome. Crime is not limited to unsophisticated people lacking education and social skills. There are cases where those who are in the highest echelons of society are involved in white-collar crimes probably with higher costs to the economy than that of petty theft. Recent examples include Margaret Macdonald,<sup>24</sup> Lord Jeffery Archer,<sup>25</sup> Max Strauß,<sup>26</sup> management of WorldCom, Enron, to mention a few. Thus neither education nor social background appears to determine the behaviour of a person.

Acts of corruption can be weeded out significantly if a person condemns such acts on moral grounds. Currently the West is in search of effective ways of producing "moral citizens," "fully moral persons" or "morally adequate persons", i.e. the society realizes that it needs support in the development of character in their youth to prepare future citizens and leaders. To achieve this "character education" or "moral education" was launched in schools and colleges to enable the individual to act according to universal

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<sup>23</sup> Unpublished survey cited in 'Der Spiegel', 23 January, 2004 .

<sup>24</sup> An upper-class British businesswoman, who runs Europe's largest luxury prostitution business.

<sup>25</sup> Millionaire author and an ex-deputy chairman for the Conservative party of the UK.

<sup>26</sup> The son of Franz Josef Strauß, who was defense minister of Germany from 1956 to 1962, finance minister from 1966 to 1969 and prime minister of Bavaria from 1978 to 1988.

principles and values.<sup>27</sup> In the UK, this is partly due to the fall in the number of believers in Christianity.<sup>28</sup> It is put forward that morality can not be taught “*through ‘the Bible says’ because most children won’t accept it as they don’t believe the religious message.*”<sup>29</sup> However, the efforts of teachers, parents and politicians to influence, positively, the moral formation of their youth does not necessarily bring the expected results (Thomas, 1993). This failure is mainly due to disagreements on the content of the moral education curriculum as well as the failure of models of character education to recognize the complexity of human moral nature. The crucial question in moral education is: whose values should be taught? Kohlberg and Mayer (1972) identify several distinct character education schools of thought. One approach suggests teaching a “justified content.” For instance, communities are suggested to generate consensual guidelines or content, which must be universally valid or which unites a diverse and fractured society (see Appendix 1 for an example of universal virtues). Another approach expects from a person to become a moral being naturally, education only providing a nurturing context. A further approach emphasises the importance of moral emotions and moral reasonings in a person. Educators are expected to help to construct such capacities and curricula, which provide the opportunity to apply the learner's reasoning to a variety of contents. Whatever measures are taken, crisis of values or erosion of essential values in the West appears to be a continuous problem throughout time. It is well known that the Great War between 1914 and 1918 invalidated ethical valuations to which Europe had been

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<sup>27</sup> The terms “value education” and “citizenship education” are also used.

<sup>28</sup> While 19% of Britons attended a weekly religious service in 1980, by 1999 that had fallen to 7% (*Children to Study Atheism at School*, The Observer, 15.02.2004).

<sup>29</sup> In England draft guidelines are being prepared by the Qualifications and Curriculum Authority, which regulates what is taught in Schools, to teach non-religious beliefs such as humanism, agnosticism and

accustomed for many centuries and left many in a vacuum. In an Islamic society, however, communities do not need to design content or generate consensual guidelines and have to justify their universality beyond mere local agreement. Muslim societies are in hold of Islamic teaching, which provides firm moral foundations or rules for appropriate behaviour. Ali and Gibbs note the following:

*“The most significant part of the Islamic TCs [Ten Commandments], that set them apart from the ... [Jewish and Christian] TCs, is the emphasis on business conduct and day-to-day dealing. The TCs in Islam appear to focus on the pragmatic aspects of life while asserting the humanistic and spiritual needs. The focus on business conduct and proper relationships may indicate a commitment to the centrality of work in one’s life and the necessity of establishing an equilibrium in life between “work” and “spiritual” needs.”* (Ali and Gibbs, 1998, p.1561)

Islam, being *Deen-ul-Fitrah*, takes into account human nature and provides universal and eternal values. Islam, being a way of life, is also inseparable from science and knowledge. Muslim countries, hence, should aspire to regain the education system that prevailed in Islamic history and try to make the education a forceful tool for the cultivation of Islamic ethics.

Abraham Maslow (1962),<sup>30</sup> a humanist psychologist, has explained ‘human nature’ in one simple model. He gives the needs a hierarchical order, where food is the most basic or lowest need. This is followed by, in ascending order, shelter and safety, love and

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atheism alongside major faiths such as Christianity or Islam (*Children to Study Atheism at School*, The Observer, 15.02.2004).

<sup>30</sup> Maslow’s hierarchy of Basic Human Needs is usually dealt with in the adult education literature. See for instance Petty (1998) and Rogers (1994).

belonging, esteem, and self-actualisation. According to Maslow lower level of needs must be largely satisfied before higher level of needs gain importance. Rogers points:

*“The highest level of need, self-actualization, may not be reached by some individuals on more than an occasional basis. This level consists of a need to create, a need to appreciate, and a need to know and understand.”* (Rogers 1994, p.63)

All human beings are driven by needs that must be satisfied. Petty notes that

*“[a]lthough we are not fully aware of these needs, they are rather like mental vitamins; if we are denied them, we can never be fully mentally healthy. Maslow observed that if we feel deficient in any of these needs, then problematic behaviour, ..., often results.”* (Petty, 1998, p.45)

If, it is argued, some of these needs are inadequately met, a person may feel e.g. no concern for others, feel dislike, hostility, envy and bitterness towards others. However, when are those needs delineated by Maslow satisfied adequately? The answer is that the degree of satisfaction differs for each individual. While some people may be satisfied with very simple material well-being or other needs, others may not. In addition due to various reasons needs may only be met in part or not be satisfied at all. Islamic moral education aims to control any problematic behaviour resulting from unsatisfied needs. As Iqbal and Lewis point:

*“...education in Islam is aimed at instilling in believers a broad agreement on and a clear second-order preference for a catalogue of virtues/justice so as to arbitrate among*

*raw instincts and competing first-order desires, and self-actualize obedience to the Shari'a.*" (Iqbal and Lewis, 2002, p.13)

The believer becomes content, generous or kindly and can have self esteem – feelings which are only experienced if one has reached the self-actualization stage in Maslow's hierarchy - even when basic or lower needs are not satisfied. There are proposals in non-Muslim societies in line with such Islamic teachings. For instance, there are suggestions to unify both capitalism and socialism (unitary economics) in order to achieve both a moderate level of material satisfaction from the consumption of goods/services and spiritual awareness to restrain self-interest (Sun et al., 2001). Dobel (1978, p. 972), in turn, suggests that education should "*...inculcate loyalty towards fellow citizens and create an initial willingness to sacrifice self-interest to the common welfare.*"

#### **4.2 Islam and Good Economic Attitudes**

Depending on the individual's commitment to Islam and his/her personal interpretation of Islamic teachings, resurgence of Islam (i.e. return to original Islamic teachings) has diverse forms. Islamic resurgence can be observed in social, educational, economic and political areas. On a political level it takes the form of groups who struggle to establish the rule of God on earth (*Jihad*) by establishing an Islamic commonwealth where nothing but Islamic law (*Shariah*) is applied. On a social level more and more groups are being formed who focus on propagating Islam. Mass education, and advancement in technology (e.g. broadcasting firms, internet) appear to have contributed favorably to this

development.<sup>31</sup> The latest proof of these changes on the political and social levels is the re-election of the Islamic-oriented government in Turkey and the pressure from its voters to abolish the restrictions to practice some of the Islamic teachings (e.g. by abandoning the ban on headscarf in public institutions such as universities, libraries, hospitals, etc.). On the educational level there is growth of Islamic educational institutions both in Muslim and non-Muslim countries.<sup>32</sup> On the economic level both in Muslim and in Western countries non-interest bearing banking products, among many others, are increasingly being offered by financial institutions to meet the ever-rising demand on behalf of Muslim clients.<sup>33</sup> The introduction of the alternative medium of exchange, namely the Gold Dinar, is a further example of Islamic resurgence on economic level.

In line with these developments there seems to be a societal solid base in Muslim countries for fighting corruption. Guiso et al. (2002) investigated the relationship between the intensity of religious beliefs and economic attitudes by using World Values Surveys.<sup>34</sup> They distinguish across religious denominations and find that on average religious beliefs are associated with ‘good’<sup>35</sup> economic attitudes and better institutions: *“Religious people trust others more, trust the government and the legal system more, are less willing to break the law, and are more likely to believe that the markets’ outcomes*

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<sup>31</sup> Eickelman (1992) argues that mass education often supports Islamism and that full effects of mass education are just beginning to be experienced in much of the Muslim world.

<sup>32</sup> At the time of writing there are about 40 Muslim primary schools in Britain.

<sup>33</sup> HSBC – among many others - for instance offers Islamic home finance. In contrast to the conventional interest based mortgage Islamic home finance is based on trade principles. In case of *Ijara* contract the bank buys the property and leases it to the client. At the end of the lease period the client receives the title of ownership.

<sup>34</sup> Surveys were collected from a representative sample of people in 66 countries between 1981 to 1997.

<sup>35</sup> ‘good’ is defined as conducive to higher *per capita* income and growth.

*are fair.*"<sup>36</sup> Guiso et al. (2002, p. 25) further found evidence that religious upbringing and affiliation curb the willingness to break the law. However, the results show that different religions have different effects on peoples' attitudes: "*Judaism has the strongest negative impact on the willingness to cheat on taxes, followed by Protestantism (second), Catholicism and Hinduism (third), and Islam (fourth). The ranking changes somehow when it comes to accept a bribe. The strongest negative effect is for Buddhist, with Protestants and Muslim next,*<sup>37</sup> *and Catholics last.*"<sup>38</sup> The willingness of Muslims to evade taxes is probably due to a lack of loyalty or sympathy towards their secular governments due to its pursuit of unislamic or anti-Islamic policies (e.g. poverty or insufficient social security for the poor, the ban of women with headscarf from education). A personal anecdote may help to understand this point. I have witnessed a conversation between a prominent Turkish Islamic scholar and a lady who had stolen electricity, as she could not afford it and was feeling uncomfortable about her delict on moral grounds. After reminding her not to do it again he said that as the government is not coming up to its duty of providing for the poor and as the government is the sole provider of electricity she should not feel bad about it. Thus, a Muslim may not have any moral problems by evading taxes under similar circumstances. A further argument to support this hypothesis is the fact that levying corporate income taxes is unknown in Islam. The state, like any other business entity, can run its own enterprises or participate as a partner in other industrial ventures.<sup>39</sup>

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<sup>36</sup> Guiso et al. (2002, p. 5).

<sup>37</sup> Rosen (2002, p. 106), who spend years in Morocco, also writes that payment to judges is rare and that "...it has a relatively limited place in the workings of the legal system."

<sup>38</sup> Guiso et al. (2002, p. 6).

<sup>39</sup> Yusuf (1988, p. 68).

The findings of Guiso et al. (2002, p. 7) also show that Muslims as opposed to Christians are strongly against competition. This finding is not to be confused with microeconomic theory postulating its positive effects upon consumers in form of lower prices. Instead it needs to be understood as being a reflection of the Islamic teaching that Muslims are one body, that they are brothers of each other and that competitive destruction is unacceptable.

Guido et al (2002) further found evidence that Protestants, Catholics and Hindus want more private ownership, while Muslims want significantly less. This might be due to the fact that in contrast to other main religions Islam puts less emphasis upon wealth and the world and more emphasis upon the distribution of wealth. In fact, Islam prescribes the claims of the poor upon the wealth of the rich.

Good economic attitudes in the MENA region can be nurtured and promoted only if following general elements are in place. Firstly, injustice must be completely eradicated. In order to eradicate corruption on a governmental level selfless and honest leaders are needed. In theory political leaders should be chosen purely on the grounds of their expertise, suitability and integrity. The reality however is quite the opposite. Political leadership is dictated by the financial resources available to spend in electoral campaigns. Islam is a tradition-based religion, that is, Muslims are instructed - in order to achieve best results in this world and Hereafter – to live according to the example not only of the Prophet but also of the leaders of the early Muslim community. According to these

leaders, leadership is given to the person, who has the best capabilities to lead a country. Hence, those who are incapable to fulfill their task of leadership must handover the power to those who are able and willing to do so.

On judicial level injustice can be alleviated if not eradicated by judges of high moral caliber who administer justice within an ethical framework rather than simply following a series of rules abstractly formulated and uniformly applied (Rosen 2002, p.3).<sup>40</sup> There is a *hadith* which says that you can give an unjust law to a just judge, but you cannot give a just law to an unjust judge (Rosen 2002, p. 174). Justice is a quality of personhood and not based upon the judges intellectual ability to stand indifferent to the case and find a pertinent solution to a case based on abstract legal propositions.

Poverty alleviation is an extremely important element that is conducive to nurturing good economic attitudes. One important way of achieving this goal is by ensuring that gifts of nature remain free (Yusuf 1988, p. 73-74): "*Islam ensures that agricultural land, mineral deposits, pasture and standing timber all remain public property and no individual or human agency such as a State turns them into a source of rent*". Furthermore, Islam is the only religion, that has an article of faith for its believers to give money to the poor at a state level. In verse 92:18-21 material world is connected with the immaterial world: "*He who gives his wealth to purify himself, not in return for any favor done to him, Seeking only the Countenance of his Lord Most High. He will be well-pleased*". The poor have an

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<sup>40</sup> For example, currently a murderer of a bank owner's son in Germany is hoping to be released from his lifelong sentence through a revision of his case by the European Court of Justice. The court might declare the evidence of his testimony of murder as invalid, as this was obtained by the police under threat.

acknowledged right in the wealth of the rich. This cannot be implemented if one has no Islamic belief because one will be focused on individualism rather than communalism (verse 59: 7). This Qur'anic verse declares the principle of a just and even distribution of wealth; to eliminate class differences based upon wealth, it should not circulate solely among the wealthy. However, the success of the distribution of such monies to the poor relies much upon honest leaders on the governmental level. Furthermore, applying Islamic business ethics rather than the pursuit of conventional entrepreneurship where workers are easily replaced by robots or exploited at very low rates of payment would restore justice, help to remove the barriers between the two opposing classes thereby eliminating corruption from below.

The success of all the aforementioned elements that are conducive to nurturing good economic attitudes depends also on education. In Islam it is an obligation upon each individual to acquire knowledge. It is not understood as a right given by the state, as is the case in the West. In order to facilitate education adequate educational institutions must be in place, where Islamic ethics is taught along with conventional curriculum.

The mark of an educated person in Islam is not his academic credentials but his or her refined manners. The whole of Islamic education is geared towards the careful nurturing of good etiquette in every aspect of human endeavor whether it is in public or in private sphere. Honesty and integrity are of paramount importance in a Muslim's life and they are rigorously adhered to in all circumstances and at all times. Even the lexical meaning

of Islamic etiquette (*tarbiyah*) is derived from the word *rab*, which means God.<sup>41</sup> It denotes the careful and systematic nurturing of a being to enable it to serve and reach its particular niche in nature for which it has been created. Elevated and refined manners - which comprise honesty, decency at all times - are therefore reflective of ones Godliness and God-consciousness. K ng (2007) one of the world’s greatest Christian theologians confirms this point. To him Islam does not represent threat, instead it represents hope “*in particular the hope that it will serve as a positive example to Judaism and Christianity by infusing spiritual values and ethics into the “globalized” economy, society and culture of tomorrow.*”<sup>42</sup>

Traditional religious education in Islam includes secular education as well. The line between secular and the religious in Islam is very blurred. Based on his findings on the history of science in Islamic civilization King (1993) concludes that in Islam as in no other religion in human history religious rituals have been assisted by scientific procedures.<sup>43</sup> Islamic education consists of the study of all academic disciplines including economics with an emphasis on ethics in all transactions. The literature on Islamic economics is so vast that only a fraction of the original Arabic economic literature has been translated into English so far. The authors of the vast bulk of literature on economics in Islam were trained lawyers - which itself covers many other ancillary disciplines such as logic, philosophy, mathematics - first and foremost economists and scientists second. A prime example of this is Ibn Khaldun (1332 - 1406).

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<sup>41</sup> In stark contrast to this in English the word manners is derived from Latin *manus* meaning the hand.

<sup>42</sup> Robert W. Lebling in his review of K ng’s book (in Saudi Aramco World Sep./Oct. 2007).

Naturally the illiterate or the uneducated have a remote degree of power and therefore limited scope for corruption. Unfortunately, the converse is not true for the educated powerful classes who have greater degree of corruption in many spheres including their chosen professions such as in law, in politics and economics. Therefore, moral education is imperative to be included in the curriculum in order to reduce if not completely eliminate corruption.

In summary it can be said that all of the aforementioned elements to eradicate corruption can only succeed by adhering to Islamic ethics. Indeed, the success of Muslims in history is largely attributed to serious attachment to Islamic teachings, as made clear in the following statement: *"History shows that the Muslims increased in civilization and progressed in relation to the power of the truths of Islam; that is, to the degree that they acted in accordance with that power. History also shows that they fell into savagery and decline, and disaster and defeat amidst utter confusion to the degree of their weakness in adhering to the truths of Islam."*<sup>44</sup>

### **4.3 Institutional Constraints**

Islam's political resurgence during the last three decades (Tessler, 1997) led to burgeoning of several interest free investment alternatives in Muslim countries. However, in many cases such ventures are initiated by people who have neither managerial

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<sup>43</sup> An extensive study on the contribution of Muslims to science can be found in the works of: Sarton, G. (1975), Saliba, G. (1994, 1999), Sezgin, F. (2000), Ragep, F. J. (1982).

expertise/skill nor are necessarily dedicated Muslims. The principle of Muslim brotherhood is sometimes used to gain the saver's trust and confidence. A recent example is due here. In Turkey the Islamic holding company Yimpaş used to pay out investors immense "returns" in the mosques on Fridays in front of others in order to recruit further investors. In fact, the company was operating according to Ponzi scheme.<sup>45</sup> Such developments prove, firstly, that reliance upon self-restraint is not sufficient and that there is a need for stringent external regulations that protect investors and improve governance. Secondly, they point to the fact that the public must be enlightened and educated. They also point out the need for expert managers, because management can be major contributory factor to a country's economic prosperity as well as its problems.<sup>46</sup>

Concerning the first problem, several laws enacted as well as measures adopted by enterprises in the industrialised world can be taken as exemplifying regulations, which protect investors and improve governance. None of these measures are alien to Muslim tradition, as these are either mentioned in the Qur'an/*Ahadith* or have been practiced by the Muslim leaders of the early Islamic community. As it is beyond the scope of this article to address all options, in the following only few measures adopted by western organisations to halt corruption, that can be easily implemented, are mentioned.

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<sup>44</sup> Quotation taken from Nursi (1996, p. 28) The Damascus Sermon. Sözlür Neşriyat ve Sanayi A.Ş., Istanbul, Turkey.

<sup>45</sup> In search for *halal* investment opportunities to eschew the forbidden interest several Turks invested their savings into Islamic holdings such as Jetpa, Yimpaş, Kombassan who went bust. The management blames the economy whereas the courts accuse them of embezzlement and fraud (Der Spiegel 5/2004 p. 36-38.).

<sup>46</sup> A survey of construction industry staff in Germany revealed that the main reasons or main sources of risk for violating moral standards are pressure for success (86%) and market induced pressure of the clients (81%) (Wieland and Fürst, 2002, p. 50).

To avert risk of breaking moral standards some industrialised countries institutionalised ethics in their companies. 90% of North American companies have institutionalised “code of ethics” or “code of conduct” and even 40% employ an “Ethics officer.”<sup>47</sup> In Germany similar developments are taking place. These measures are simply concerned with the implementation of moral aspirations into everyday working life, more specifically, the implementation of corporate ethics programs as control systems. Ernst Welteke, president of the Bundesbank, was forced to resign in April 2004 because he accepted perks, which was against the codes of honour designed by the Bundesbank in 2002. Morality once conceptualised within the corporate governance system can have an influence upon corporate management and is likely to give the entrepreneur a competitive edge (Wieland and Fürst, 2002, p. 69). A survey of ethics officers in the German construction industry revealed that the reasons for implementing corporate ethics programs were, firstly, corporate culture (55%) and reputation (20%), and secondly, compliance with regulations (25%) (Wieland and Fürst, 2002, p. 51-52). In addition there are suggestions to list only those companies at the New York Stock Exchange, which made code of ethics an integral part of their corporate governance systems.<sup>48</sup> Holding the management liable for any illegal activity of its staff, if supervisory function was neglected is also gradually becoming popular.<sup>49</sup> However, as already alluded to above, there are cases where corporate culture of certain companies is corrupt. In Germany for instance giving bribes in white envelopes is not common practice. Instead it takes complex and more “elegant” forms as the discovery of a new variant of lobbyism has

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<sup>47</sup> Centre for Business Ethics at Bentley College (1992).

<sup>48</sup> Wieland and Fürst (2002, p. 8).

<sup>49</sup> See for instance the German decree §130 OwiG.

recently revealed. In 2006 journalists have found out that 100 major German firms (DaimlerChrysler, Lufthansa, Deutsche Bank, etc.) entertained lobbyist in Ministries in order to influence politics in favour of their employers.<sup>50</sup> In 2007 Transparency International recommended launching a public register, which exposes names of all corruptible companies. One disadvantage of this method however is that it will give opportunity for corrupt companies to find their equals. In addition, the media contributes to betterment by exposing corrupt practices of companies. In general those who were involved resign or are forced to do so.

Existing enterprises and greenfield operators in the Muslim world might signal credibility and trust into their business ventures if they implement measures to portray their ethical stance. The success of such measures will to a great extent depend on the character of the managers and personnel. Therefore, ways must be found to recruit ethical staff, which will, however, be an elaborate task. Nevertheless, identifying trustworthy and competent people among Muslim societies may not be as difficult as is the case in industrialised countries. First and foremost Muslims are recommended by the Prophet to perform *Istihara* prayers along the process of decision-making. This will enable the decision maker either to feel comfortable or uncomfortable with a decision (similar to what is known as 'gut feeling' among some Western executives. Given the difficulties of finding the suitable candidate for a job, companies in the industrialised nations resort - besides exposing the candidate to tests and tasks to be resolved - to diverse methods such as having psychologist in the interview panel, the use of graphology, having a meal, and

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<sup>50</sup> <http://www.wdr.de/tv/monitor/beitrag...id=836&sid=159> and

observing and analysing many other physical/psychological characteristics. Similarly, Muslim employers could resort to what is known among Arabs that the best way of finding out the qualities of a person is by travelling with them. It is widely believed that travel environment is conducive to bringing about the true nature of people as one is detached from normal circumstances.

Overall, in Islamic societies people are very sociable. Therefore personalities and characters of people can be identified relatively easy. For example, in case of financial shortage Muslims find it easier to approach one another for help and usually the lender welcomes it simply because of the Qur'anic premise that one should help those who are less fortunate than oneself. By non-payment of debts, by lying, cheating or any other criminal act a person can easily loose credibility. A system of recruitment based on references and trial periods might help to find suitable candidates.

Another approach, which may be alien to most Muslim countries, is the legislature in several industrialised countries, which obliges employees to tell someone outside the company if his/her employer is breaking the law or doing something immoral. This is known as whistle-blowing. The so called Public Interest Disclosure Act 1998 in the UK has been introduced to protect employees who expose serious wrongdoing in the workplace to a third party. In general, organisations have whistle-blowing procedures which provide a means by which to report any suspicious practice happening within their institution in order to avoid overlooking a problem or blowing the whistle outside. Such

procedures are designed to encourage the employee, who may be reluctant to report any suspicion for reasons of harassment, victimisation or dismissal, to raise serious concerns. Despite such measures, some employees go public with their findings and face to break their working relationships. As apposed to employers, in the public whistleblowers are being viewed in an increasingly favourable light, notably, from people who are disloyal to people trying to do their job well (Accountancy Age, 20 November 2003).<sup>51</sup> In the US, legislation on whistle-blowers took place much earlier, namely by the False Claims Act (1863, revised 1986). This approach is confirmed by the Prophet in his teachings on voicing the truth in the presence of an unjust ruler and is therefore an integral part of Islamic ethics.<sup>52</sup> In Muslim countries anti-corruption agencies established specifically for the purpose of detecting and preventing fraud could encourage employees to expose fraud. Such agencies might be extremely useful as was observed in Hong Kong by its Independent Commission Against Corruption (ICCA). ICCA was established in 1974 by the government when widespread bribery of officials reached such a stage that corruption had penetrated significantly even into the police force.<sup>53</sup>

The contribution of this institution in the decrease of corruption is generally adhered to its sweeping powers or enforcement and autonomy such as in choosing its staff independently from the Public Service Commission. It has exceptional powers to search, seize a person or place and compel suspects and witnesses to divulge information even in

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<sup>51</sup> For instance, Marta Andreasen - the European Commission's chief accountant - blow the whistle on accounting anomalies in European Commission's accounting procedures and won the Accountancy Age Personality of 2003 Award.

<sup>52</sup> Rosen (2002, p. 107) gives an example of whistle blowing of a Moroccan court official through a personal anecdote.

cases that are not its obligation to investigate (Skidmore 1996, p. 125). ICAC officers are also permitted to arrest without warrant. More importantly, however, the agency invests significant amount of resources for changing attitudes and practices. On the one hand, it works with government agencies and private businesses to give advice on how to prevent corrupt practices. And on the other it works extensively on the community level by distributing literature, advertisements, among many other methods, to promote honesty. The ICAC is being supervised by three separate committees. One of these committees task is to oversee the activities of each of the three above-mentioned divisions. Furthermore, the agency has an internal monitoring system, which is only known to few members of the ICAC. Despite these measures there were incidences, which showed that its highest-ranking officials were involved in corrupt practices, that the agency might have been used for political purposes (e.g. spying on China, not challenging Chinese-owned companies), and that it had not been adequately supervised. Furthermore, the agency's powers reached such an extent that it even punished people without sufficient evidence to prosecute by imposing disciplinary action.<sup>54</sup> Enormous powers seem to keep it safe from criticism on behalf of the population, and extensive propaganda appears to obscure its wrongdoings (Skidmore,1996).

In Botswana the Directorate on Corruption and Economic Crime (DCEC) managed to also achieve tremendous success. It was set up in 1994 when corruption particularly

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<sup>53</sup> See Skidmore (1996) for an extensive description

<sup>54</sup> For evidence see Skidmore (1996).

among the elite had reached to such an extent that it was limiting the country's development.<sup>55</sup>

Such institutions can only succeed if the government is committed to fighting corruption. They are doomed to fail, or even could become potentially dangerous, if such determination is only half-heartedly present, if not totally absent. Both institutions mentioned above are autonomous but yet have to operate within the restraints set for them by the government. Independency of an anti-corruption agency needs to be considered with care. On the one hand, calling for an independent agency implies presence of corruption within the government. On the other hand, autonomy does not necessarily mean absence of corruption within the anti-corruption agency itself. This dichotomy leaves no room but to come to the conclusion, firstly, that leaders must have exceptional personalities as no one but them are the sole authorities able to come up to the task of eliminating corruption in its entirety. The task of leaders should not only be limited to politics. Leaders of countries ought to be responsible for providing justice and must be in a position to pursue their lives in an exemplary way. The term 'political leader' is therefore inappropriate. The degree of morality in the higher echelons of government will then determine the level of corruption in the lower echelons of society. Ultimately it does not matter whether a country has an institution specifically designed to fight corruption or not. This is because an anti-corruption agency can only be a reflection of its government. Put differently, if the rulers and those in power do not want to

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<sup>55</sup> See Good (1994) for an extensive description of corruption among the elite.

eliminate corruption and injustice then the ruled will not ultimately be able to do so.<sup>56</sup> Hence, the level of corruption in a society will increase or decrease depending on the governmental efforts put into the issue. In general no other institution except the government (unless a country has an independent judiciary willing or entitled to do so) is in charge of granting extraordinary powers of law enforcement to an institution. During the time of the Prophet the judiciary was absolutely free from outside control or interference (Singh 1998, p. 9). If the government has no intention of fighting corruption it would not be possible to protect an anti-corruption agency whose staff is exposed to attacks, as was the case during the initial stages of ICAC.<sup>57</sup> No government office and official can be investigated, searched unless a government permits such an intervention and criticism, and none but the government is responsible for educating morally healthy the society.

Another control system that may serve as a deterrent to fraud is auditing, which should be a legal requirement in all organisations. There may be collusive or other anti-competitive behaviour such as predatory pricing' amongst audit firms if there is high concentration among few audit firms. If the market for audit services is dispersed among many audit firms, it is likely that corruption amongst auditors will be driven down. Therefore the target should be to reduce concentration and to encourage competition in the market for audit services. Appointing auditors through authorities rather than leaving the choice of finding an auditor to organizations, audits at any time or surprise audits by public

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<sup>56</sup> A contemporary revelatory truth of this point is that on the eve of the second Gulf War against Iraq, Britain witnessed the largest anti-war march in its history. Yet, Tony Blair and George Bush illegally went to war against Iraq.

inspectors are further measures to reduce corruption. As accountable and transparent management requires good records management systems, the proper placement of which within organizations should be promoted. Public awareness of the importance of audits should be increased so that attention is paid to the fact that auditing or independent verification of accounts is taking place in the company they are contemplating to invest. Advertisements of enterprises for future fundraising should show logos by audit firms, which convey or certify that an organisation spends investors' funds within its aims and objectives. Anti-corruption measures in the field of accounting were applied since the beginning of Islam. Abu Bakr as-Siddiq (the first *Caliph*) and 'Umar ibn 'Abdu'l-'Aziz (the second *Caliph*) both had different methods of governance. Abu Bakr gave high degree of independence to his governors, military generals, etc., that is, these units were financially independent from the capital of *khilafah*. They had independency on how to collect money and on how to spend it. 'Umar ibn 'Abdu'l-'Aziz, however, changed this system in favour of a centralised method where the governors were accountable for every financial transaction they had by submitting a report on their financial matters. Furthermore, by the end of an appointment, audits were conducted in order to establish whether the appointees' wealth had increased by more than what he was entitled to. This very essential piece of legislation has been implemented fourteen centuries later in an essentially industrial modern society of Hong Kong of 1971 (Skidmore 1996, p. 121).

The information requirement of savers can be met through the public mass media, mosques, and also the role of imams and preachers will help to support the process.

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<sup>57</sup> See for an example Skidmore (1996, p. 123).

Television programmes showing cases in which companies betrayed small investors can help to raise consumer awareness. Journalists by embarking upon investigations that could lead to exposing corruption generally help to promote transparent and accountable governance and corporate behaviour. However, in many countries they face physical threats. Such problems could be ameliorated if investigative work on issues of corruption is passed on to state prosecutors. However, this is not always straightforward in case of public organisations including the state officials. Apart from physical threat in several countries inquiring and reporting freely on corruption in such units is limited by law for concerns of damaging the image and reputation of the state. In these cases suspicion or critique on corruption could be presented to international institutions established especially to serve such purposes. Technological advancements provide further alternative. Raj Bairoliya, managing director of Forensic Accounting, for instance, used this option by establishing a free online fraud hotline in 2001 to enable employees to anonymously report suspicious activities.

Consultants are increasingly gaining popularity in the industrialised world, which often help to improve the efficiency of companies by reorganising and devising strategic plans.<sup>58</sup> However, there are also several cases where old acquaintance consultants are hired - without procurement by tender, and also cases where consulting services consult superficially or introduce ineffective instruments - e.g. due to lack of expertise - but yet charge excessive fees.<sup>59</sup> Therefore, alternative ways must be explored. For instance,

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<sup>58</sup> Consultants are often contracted in the German public sector.

<sup>59</sup> The German consulting firm "Roland Berger" was hired to reform the German defense ministry. However, it turned out that it lacked expertise of public sector rules and circumstances. In face of these

through incentives long established companies can be induced to contribute to the economy by training new managers, which then could be recruited by new enterprises. Internship, to gain expertise, is particularly important in the MENA region. Current world developments indicate, firstly, that global developments are more important than national policy and secondly, that there is no guarantee for peace in the MENA region. Therefore it is an absolute requirement that MENA managers are trained both to operate successfully in a global market and to handle crisis situations effectively.

## 5. Conclusion

That Muslim countries score worse than non-Muslim countries in the Transparency International Corruption Perception Index despite high percentage of believers in God might be partly due to relatively higher poverty than is the case in the industrialized world. The prophet Muhammed (PBUH) made the point by saying, “*Faqar* (extreme poverty) is likely to lead to *Kufr* (denial)” However, moral renovation in Muslim societies appears to be easier to realize than in western societies once its underlying cause, notably poverty, is tackled. In the West searching for effective ways to produce morally adequate persons seems to be an elusive target. Savings and investment can only be increased if informed savers are guaranteed that the enterprise they entrust their savings to is trustworthy and that the enterprise is viable. Particularly in developing countries both the state and private organisations have a great role to play to facilitate this. Economic problems, Islamic activism and higher levels of education in the Muslim

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developments the German Federal Audit Court’s (Bundesrechnungshof) is currently planning to check on

world appear to pose pressures to present governments and leaders for change. This paper has argued that, while making Islamic moral education an integral part of the curriculum, the Muslim world can benefit from the ongoing developments in the West to improve governance. Apart from making management liable for neglecting supervisory functions, encouraging employees to expose any wrongdoing, establishing free online fraud hotlines, implementation of corporate ethics programs as control systems, obliging all business to have audits, adopting measures to raise public awareness on corruption in businesses are only some examples of measures that may reduce fraudulent activities. Internships in indigenous companies can help start-ups to maneuver successfully in a politically and economically unstable environment. Nevertheless, self-restraint is an absolute prerequisite for these measures to succeed in weeding out corruption. Organizational instruments such as Hong Kong's Independent Commission Against Corruption or Botswana's Directorate on Corruption and Economic Crime or some equivalent could be adopted by MENA countries. However, such institutions can only succeed to eliminate corruption only through political leaders committed to weeding out corruption. During the Prophet's time nobody was above the law including the Prophet himself and the *Caliphs* after him. He called for people to bring their grievances against him had he committed injustices against them.<sup>60</sup>

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the efficiency of consulting firms. The aim is to devise directives to halt incorrect conduct and fraud.

<sup>60</sup> For details see Singh (1998, p. 8-9).

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## Appendix 1

### Six Pillars of Character

These six core ethical values form the foundation of the Character Counts! Youth-ethics initiative. CHARACTER COUNTS! is a nonprofit, nonpartisan, nonsectarian character education framework that teaches the Six Pillars of Character: *trustworthiness*, *respect*, *responsibility*, *fairness*, *caring* and *citizenship*. Coalition includes thousands of schools, communities and nonprofit organizations.

#### *trustworthiness*

Be honest • Don't deceive, cheat or steal • Be reliable — do what you say you'll do • Have the courage to do the right thing • Build a good reputation • Be loyal — stand by your family, friends and country

#### *respect*

Treat others with respect; follow the Golden Rule • Be tolerant of differences • Use good manners, not bad language • Be considerate of the feelings of others • Don't threaten, hit or hurt anyone • Deal peacefully with anger, insults and disagreements

#### *responsibility*

Do what you are supposed to do • Persevere: keep on trying! • Always do your best • Use self-control • Be self-disciplined • Think before you act — consider the consequences • Be accountable for your choices

#### *fairness*

Play by the rules • Take turns and share • Be open-minded; listen to others • Don't take advantage of others • Don't blame others carelessly

#### *caring*

Be kind • Be compassionate and show you care • Express gratitude • Forgive others • Help people in need

#### *citizenship*

Do your share to make your school and community better • Cooperate • Stay informed; vote • Be a good neighbor • Obey laws and rules • Respect authority • Protect the environment

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