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Contrasting Capitalist and Sharia Economic Systems: A Comparative Inquiry into Core Economic Values

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Abstract

This study offers a comparative analysis of the ethical, institutional, and distributive foundations of capitalist and Sharia economic systems. While capitalism emphasizes market efficiency, individual freedom, and profit maximization, Sharia economics prioritizes divine accountability, social equity, and moral purpose. Drawing on conceptual literature and policy analysis, the research highlights the divergent ethical logics, governance mechanisms, and wealth distribution strategies of each system. Capitalist institutions reward market productivity but often generate inequality and value-neutral governance. In contrast, Sharia-based institutions operationalize justice through instruments such as zakat, waqf, and profit-sharing contracts, embedding ethics into economic life. The study contributes a refined framework for evaluating economic systems based on values and justice, offering both theoretical insights and practical implications for policy and development. This research underscores the urgency of rethinking global economic models in an era of deepening inequality and ethical fragmentation.

Keywords: *Capitalism, Sharia economics, distributive justice, Islamic values, institutional comparison.*

INTRODUCTION

Economic systems serve as the structural foundations for how societies allocate resources, generate wealth, and define prosperity. The dominant global economic paradigm, capitalism, has historically been associated with rapid technological advancement, financial innovation, and economic growth (Harvey, 2018). However, it has also attracted criticism for exacerbating inequality, encouraging excessive materialism, and undermining communal welfare (Piketty, 2014). These critiques have intensified in the wake of global crises, such as the 2008 financial collapse and the COVID-19 pandemic, which exposed deep structural vulnerabilities and ethical shortcomings within capitalist economies (Stiglitz, 2020; World Bank, 2022). Against this backdrop, alternative models—such as the Sharia economic system—have gained renewed attention for their emphasis on moral values, distributive justice, and socio-economic balance.

The Sharia economic system, rooted in Islamic jurisprudence (fiqh al-mu'amalat), presents a holistic approach that intertwines spiritual, ethical, and material aspects of economic life (Chapra, 2016, p. 34). It is governed by principles such as justice (‘adl), mutual consent (taradhi), prohibition of interest (riba), and promotion of public welfare (maslahah) (Kamali, 2008, p. 52). Unlike capitalism’s reliance on individualism and market-driven logic, Sharia economics emphasizes collective responsibility and the moral purpose of wealth. Scholars argue that this model, if implemented effectively, can offer a viable path to inclusive growth and ethical development (Haneef & Furqani, 2019). However, despite increasing interest, comparative assessments between the two systems remain theoretically and empirically underexplored.

In both economic theory and policy, capitalism and Sharia economics represent two epistemologically distinct frameworks. While capitalist theory is rooted in liberal individualism and the separation of economics from moral theology, Sharia economics derives its logic from divine revelation and integrated social ethics (Asutay, 2021). This divergence leads to different conceptions of ownership, market behavior, profit motives, and welfare mechanisms (Ahmed, 2020). The capitalist system views capital accumulation as a driving force, with profit maximization as a legitimate goal, whereas the Sharia system sees wealth as a trust (amanah) to be managed responsibly under God's guidance (Obaidullah, 2022, p. 77). These differences are not merely normative—they shape how policies are formulated, institutions are structured, and outcomes are evaluated.

Despite substantial literature on each system individually, comparative scholarship that situates them within a common analytical framework is scarce. Most existing works either evaluate Sharia economics in isolation or critique capitalism without offering viable models of reform (Kuran, 2020; Mirakhor & Iqbal, 2017). This leaves a critical gap in understanding how these systems contrast not only in principles but also in their underlying values, institutional design, and operational logic. Moreover, as Muslim-majority countries increasingly seek economic models that align with their religious and cultural values, the need for a rigorous comparative analysis becomes more urgent (UNDP, 2022).

This study is therefore situated at the intersection of economic theory, ethics, and institutional design. It seeks to answer three core research questions: (1) How do the ethical foundations of capitalism and Sharia economics differ in principle and practice? (2) In what ways do the institutional arrangements of each system reflect their respective worldviews? (3) How does each system approach the issue of wealth distribution and socio-economic justice? By addressing these questions, the study aims to offer both a theoretical contribution to comparative economic discourse and practical insights for policymakers in Muslim and non-Muslim contexts alike.

The objective of this research is to construct a comparative framework that highlights the foundational differences between capitalism and Sharia economics while critically assessing their implications for global economic thought and development strategies. It also aims to enrich the broader discourse on moral economics by integrating insights from Islamic tradition into contemporary debates. In doing so, this study contributes to a growing body of literature advocating for pluralistic economic models that accommodate both efficiency and ethical responsibility (Zaman, 2023). The significance of this inquiry lies not only in theoretical refinement but also in its potential to inform future economic reforms in an increasingly uncertain and morally complex world.

LITERATURE REVIEW

The study of economic systems has long been dominated by capitalism as the prevailing global model. Foundational works by Adam Smith, followed by modern economic theorists, emphasize the role of self-interest and market mechanisms in resource allocation and wealth creation (Smith, 2005, p. 78). Contemporary scholars such as Mankiw (2021) and Acemoglu and Robinson (2019) highlight capitalism's institutional strengths, including private property, competition, and innovation incentives. Yet, these features have increasingly come under scrutiny for failing to address income inequality, environmental degradation, and financial instability (Piketty, 2014; Stiglitz, 2020). As a result, critiques of unregulated markets have led to broader calls for incorporating ethical dimensions into economic governance (Sen, 2017). Scholars argue that the prevailing neoliberal model is insufficient to manage socio-economic risks without grounding policy in normative principles (Rodrik, 2021). These concerns have catalyzed interest in alternative models such as Sharia economics, which offer a fundamentally different epistemological and ethical foundation for economic activity.

Sharia economic thought is rooted in the holistic vision of Islam that merges spiritual obligations with socio-economic justice. Its core concepts—including the prohibition of riba, risk-sharing (musharakah, mudharabah), and obligatory almsgiving (zakat)—form a moral architecture that distinguishes it from profit-maximizing capitalist structures (Chapra, 2016, p. 39; Obaidullah, 2022, p. 65). Studies by Asutay (2021) and Haneef and Furqani (2019) argue that Sharia economics emphasizes tawhidic unity, where economics cannot be detached from divine purpose and collective welfare. Furthermore, Mirakhor and Iqbal (2017) assert that institutional elements such as Islamic banking, waqf (endowment), and ethical governance reflect these principles in practice. However, much of the literature remains segmented—focused either on theoretical underpinnings or operational mechanisms—without connecting both dimensions in comparative frameworks. More recent contributions, such as those by Ahmed (2020) and Zaman (2023), begin to bridge this gap by assessing how Sharia values reshape assumptions about ownership, risk, and distribution. Yet, comprehensive comparative studies with capitalist systems remain sparse. This study contributes to filling that void by situating both systems within a unified analytical lens, comparing their core values, institutional logic, and socio-economic goals.

THEORETICAL FRAMEWORK

The theoretical foundation of this study rests on a comparative institutional economics approach, which examines how different systems structure incentives, allocate resources, and shape human behavior through formal and informal rules (North, 1990; Hodgson, 2015, p. 98). In the capitalist model, institutions are designed to minimize transaction costs and promote individual efficiency. Property rights theory and rational choice theory further support this framework, emphasizing autonomous agents operating in competitive markets to maximize utility (Williamson, 2000). The capitalist model views the market as a self-regulating system capable of optimizing societal welfare through price mechanisms and competition (Mankiw, 2021). However, these assumptions often disregard non-market values, leading to critiques from moral and institutional economists who argue for more inclusive models of welfare and justice (Sen, 2017; Stiglitz, 2020).

By contrast, the Sharia economic framework is anchored in the epistemology of tawhid—the Islamic worldview of divine unity—which situates economic behavior within a moral-spiritual context (Asutay, 2021). This perspective draws upon maqasid al-shariah (objectives of Islamic law), which prioritize the preservation of faith (din), life (nafs), intellect (‘aql), wealth (mal), and lineage (nasl) (Kamali, 2008, p. 66). These objectives serve as the foundational reference for formulating policies and institutional mechanisms. Unlike utility maximization, Sharia economics promotes balanced consumption (i’tidal), ethical earning, and redistributive justice. The theoretical basis is deeply normative, informed by revealed knowledge and ethical obligations to God and society (Obaidullah, 2022, p. 71). This contrasts sharply with the value-neutral assumptions in neoclassical economics.

Ethical economic theory serves as a bridge for understanding the divergence between capitalism and Sharia economics. This framework argues that economic systems cannot be morally indifferent and that values shape institutional design and policy outcomes (Zaman, 2023). In this view, the capitalist neglect of distributive ethics leads to systemic inequality, while Sharia economics aims to embed justice and mutual care into the economy (Haneef & Furqani, 2019). Ethical economics challenges both positivist economic models and purely theological interpretations, advocating for models grounded in both empirical realism and normative ideals. It allows this study to critique capitalism without resorting to ideological opposition and to engage Sharia economics beyond dogmatic assertion.

Additionally, this study draws upon the concept of moral economy, which views economic transactions as embedded in cultural, social, and moral orders (Thompson, 2010; Tronto, 2013). The Sharia system aligns closely with this view, emphasizing care, community, and reciprocity. Capitalism, on the other hand, often prioritizes contractual relations over communal ties. By juxtaposing both systems through this lens, the study assesses how values are operationalized institutionally. This framework also supports the methodological aim of analyzing not only principles but the structures through which these principles are implemented or undermined.

Finally, justice theory—particularly distributive justice—is essential for examining how each system deals with inequality and social welfare. John Rawls' theory of justice emphasizes fairness and the moral arbitrariness of economic inequalities, while Islamic justice (‘adl) stresses obligation, accountability, and proportionate distribution (Rawls, 2001; Chapra, 2016, p. 103). Both perspectives value equity but differ in metaphysical grounding and institutional mechanisms. Rawls relies on social contract rationality, whereas Sharia derives justice from divine command and communal obligation. This theoretical juxtaposition enables a deeper understanding of how each system conceptualizes and institutionalizes justice in economic life.

PREVIOUS RESEARCH

Chapra (2016) conducted a foundational study on the moral and spiritual dimensions of Islamic economics, arguing that sustainable development must be anchored in justice (‘adl) and balance (tawazun). He proposed a value-based framework in which economics is governed not only by market forces but also by divine principles. His work laid the groundwork for integrating maqasid al-shariah into economic analysis, although it remained largely theoretical and did not systematically contrast with capitalist logic.

Mirakhor and Iqbal (2017) explored the institutional dimensions of Islamic economics, particularly in the context of financial markets. They emphasized the importance of risk-sharing mechanisms and equity-based contracts as alternatives to interest-based capitalist finance. While their research focused on operational structures within Islamic finance, it did not provide a comparative critique of how institutions function differently under capitalist versus Sharia paradigms. Their findings supported the viability of Sharia-compliant finance but left room for broader systemic comparison.

Asutay (2021) offered a conceptual framework linking Islamic moral economy to the broader discourse on ethical and institutional reform. He argued that Sharia economics must be evaluated not merely as a religious doctrine but as an alternative paradigm to neoliberal capitalism. His analysis emphasized tawhid, maslahah, and the need for justice in wealth distribution. However, his work focused more on theoretical reconstruction than empirical comparison with capitalist systems, highlighting the need for studies that bridge both dimensions

Ahmed (2020) examined capitalist principles through a critical Islamic lens, focusing on ownership, production, and distribution. His study revealed how capitalist assumptions about utility, self-interest, and profit can conflict with Islamic values of moderation and collective well-being. However, the research was largely critique-oriented and did not develop a structured analytical model to compare both systems institutionally. This limitation opens the way for integrative comparative research.

Haneef and Furqani (2019) studied maqasid al-shariah as a framework for developing Islamic economic indicators. They critiqued mainstream economic metrics such as GDP for ignoring human dignity, ethical behavior, and social justice. Their study proposed alternative evaluation tools but was centered within the Sharia paradigm. While their work advanced Islamic economic thought, it lacked engagement with capitalist frameworks or comparative analysis across paradigms.

Zaman (2023) most recently addressed the epistemological divergence between modern economics and Islamic tradition. He argued that modern economics is built on secular assumptions incompatible with the Islamic worldview. His research highlighted the need for rethinking economic education and foundational principles. Though insightful, it emphasized critique over constructive comparative inquiry, especially regarding institutional design and justice delivery mechanisms.

Despite the depth and variety of these contributions, a consistent research gap emerges: the lack of a unified comparative analysis that evaluates capitalism and Sharia economics in terms of their ethical foundations, institutional logic, and distributive mechanisms. Existing studies are either critique-based or limited to one paradigm without meaningful cross-system analysis. This study seeks to fill that gap by answering three core questions: How do ethical principles shape each system? How are those principles embedded in institutions? And how do they influence distributional outcomes? These questions guide the study’s comparative framework and structure the subsequent analysis.

METHOD

This study employs qualitative, conceptual data that centers on textual and normative analysis rather than empirical measurement. The primary data consist of philosophical doctrines, legal principles, and institutional frameworks found in both capitalist and Sharia economic thought. Conceptual data such as these are ideal for comparative economic research where the aim is not to test hypotheses but to interpret ideas, values, and structural logics across systems (Maxwell, 2021; Flick, 2018, p. 41). As the goal is to reveal foundational contrasts between systems, conceptual materials allow for a deeper examination of how each economic system defines its goals, values, and mechanisms of operation (Bazeley, 2020). This approach is aligned with critical economic studies that seek to interrogate underlying assumptions of mainstream paradigms.

The sources of data include international peer-reviewed journal articles, scholarly books, dissertations, and institutional publications from organizations such as the World Bank, IMF, and BPS–Statistics Indonesia. These sources were selected based on their credibility, recent publication date (no later than 2023), and relevance to the comparative theme. By incorporating both secular economic literature and Islamic jurisprudential texts, this research integrates perspectives from different knowledge traditions. In doing so, the study draws upon global discourses on capitalism as well as the established body of Sharia economic literature (Tracy, 2022; Creswell & Poth, 2018, p. 127). This triangulated sourcing approach enhances the validity of the theoretical analysis and ensures that both systems are evaluated through their own conceptual frameworks.

The data collection technique used in this study is document analysis. Document analysis is a qualitative method used to systematically interpret textual content to understand themes, meanings, and patterns (Bowen, 2009; O’Leary, 2021, p. 103). Key terms such as justice, ownership, distribution, profit, wealth, and ethics were used to guide the extraction of relevant ideas from each text. Both classical and contemporary texts were considered, with emphasis placed on consistency, theoretical rigor, and traceability. This technique is especially suitable for conceptual comparative studies where empirical field data are secondary to the analysis of underlying ideologies, values, and institutional norms (Merriam & Tisdell, 2016, p. 183).

The data analysis technique employed is thematic analysis, which involves identifying, organizing, and interpreting key patterns across the literature (Braun & Clarke, 2019). Themes such as ethical foundations, institutional logic, and distributional mechanisms were pre-identified through a review of literature and refined during the reading process. Thematic analysis is useful in exploring how values are embedded in system design and how economic institutions reflect these values. It also allows the researcher to engage in cross-system comparison while maintaining fidelity to each system's internal logic (Nowell et al., 2017). This technique ensures that the discussion is organized around clear thematic axes, enabling coherent answers to the research questions.

Conclusions were drawn through a process of synthesis and interpretive reasoning. After thematic patterns were identified, they were compared across systems to highlight key differences and occasional similarities. This interpretive process was informed by theory—particularly ethical economics and institutional theory—to ensure that the findings were not merely descriptive but analytically grounded (Miles, Huberman, & Saldaña, 2020, p. 218). The interpretive lens also allowed for the extraction of broader implications from the data, such as theoretical refinement or critiques of dominant paradigms. This approach aligns with best practices in conceptual research, where the aim is to contribute to academic discourse by offering new frameworks or reinterpretations of existing systems (Silverman, 2021).

RESULTS AND DISCUSSION

The comparative analysis of capitalist and Sharia economic systems reveals critical divergences in the ethical and institutional architecture underpinning each model. This study builds on the theoretical frameworks of moral economy, institutional economics, and justice theory to examine how each system structures economic behavior. Capitalism, grounded in liberal rationalism, constructs a market-centered order where efficiency, competition, and self-interest are paramount (Mankiw, 2021; Acemoglu & Robinson, 2019). Meanwhile, the Sharia system is deeply intertwined with metaphysical and ethical values derived from Islamic teachings, with a central focus on justice (ʻadl), human dignity (karamah), and balanced welfare (maslahah) (Obaidullah, 2022, p. 63; Kamali, 2008, p. 70). These underlying distinctions inform how institutions operate, how wealth is distributed, and how individuals relate to the economy as moral agents.

Engaging both theoretical and empirical literature, this study affirms that the two systems are not merely different in form but rooted in contrasting ontologies. Capitalist models treat economics as a positive science separated from moral evaluation, while Sharia economics insists on the inseparability of moral conduct from economic life (Asutay, 2021; Ahmed, 2020). This divergence is echoed in previous research but has rarely been explored through a unified analytical framework. By synthesizing ethical values, institutional logic, and distributive mechanisms across both systems, this study fills the research gap identified in earlier sections and provides a thematic structure for addressing the core questions.

1. Ethics and the Moral Foundations of Economic Behavior

This section addresses the first research question, which asks: How do the ethical foundations of capitalism and Sharia economics differ in principle and practice? At the core of this divergence lies a fundamental question: what is the purpose of economic activity? In capitalist theory, the purpose is to maximize individual utility, with efficiency and productivity seen as proxies for progress (Smith, 2005, p. 81; Mankiw, 2021). This paradigm prioritizes autonomy, contractual freedom, and competitive advantage as moral goods in themselves. However, critics argue that this narrow utilitarian lens overlooks issues of fairness, sustainability, and social cohesion (Sen, 2017; Stiglitz, 2020).

In contrast, Sharia economics regards wealth not as an end but as a means to fulfill moral obligations and uphold social justice. The ethical foundations are derived from the Qur'an and sunnah, interpreted through maqasid al-shariah, which frame economic behavior as a dimension of worship and accountability to God (Chapra, 2016, p. 105). Key values include prohibition of riba (interest), promotion of zakat (almsgiving), and fair dealings (mudarabah, musharakah)—all designed to align individual action with collective welfare (Kamali, 2008, p. 56). This framework embeds morality directly into economic governance, contrasting sharply with capitalism's moral neutrality.

The capitalist ethic presupposes a rational, self-interested individual (homo economicus) whose choices are guided by market incentives. According to this view, the "invisible hand" of the market ensures aggregate efficiency, even if individuals act purely out of self-interest (Harvey, 2018). However, this ethic often leads to systemic externalities, such as exploitation, inequality, and environmental degradation—problems inadequately addressed by the system's internal logic (Piketty, 2014). In contrast, Sharia economics critiques the very premise of self-interest as the sole motivator. It introduces the concept of tazkiyah (self-purification) and ihsan (excellence), which demand moral reflection and social consciousness in economic decisions (Asutay, 2021).

Moreover, capitalist ethics largely exclude metaphysical accountability, leaving justice to be determined by outcomes, not intentions. As a result, profit gained through legal but harmful means remains ethically unchallenged in most capitalist contexts (Rodrik, 2021). Sharia ethics, however, insist on the unity of intention (niyyah) and action, where both means and ends must align with divine guidance. Transactions that are technically efficient but ethically harmful—such as speculation (gharar) or monopoly (ihtikar)—are explicitly prohibited (Obaidullah, 2022, p. 88). This leads to a comprehensive moral order where even private contracts are subject to communal oversight.

Both systems articulate visions of human flourishing, but the foundations differ. Capitalism sees flourishing through consumption, innovation, and market access; Sharia economics sees it through moderation, social equity, and spiritual fulfillment. As a result, economic agents in capitalism are incentivized to accumulate wealth, while those in Sharia economics are encouraged to redistribute and use wealth responsibly (amanah). This comparison underscores a profound ethical divergence that shapes every layer of economic practice and policy.

These differences also manifest in education and institutional formation. In capitalist systems, economic education promotes value-neutral analysis and technical optimization. Sharia economics, however, integrates economics into a broader tarbiyah (educational) framework that includes theology, ethics, and jurisprudence (Zaman, 2023). This not only influences how future economists are trained but also how policies are evaluated—not solely by growth metrics but by social impact and ethical compliance. The resulting institutions reflect these values, shaping distinct trajectories of development, regulation, and governance.

In sum, the ethical foundations of capitalism and Sharia economics are not marginal concerns but central axes of systemic divergence. These contrasting moral logics not only inform how wealth is created and exchanged but also determine what is deemed permissible, beneficial, or just within each system. Understanding these differences is essential to analyzing the institutional and distributive contrasts discussed in the following sections.

2.Institutional Structures and the Logic of Governance

This section addresses the second research question by examining how the institutional arrangements within capitalist and Sharia economic systems embody their distinct philosophical and ethical foundations. Institutions, understood here as the rules, norms, and organizational structures that govern economic behavior, are not neutral; they are expressions of the values that define a given system (North, 1990; Hodgson, 2015, p. 94). In capitalist economies, institutions are designed primarily to protect individual property rights, enforce contracts, and facilitate market competition (Williamson, 2000). These arrangements reflect a worldview that prioritizes autonomy, efficiency, and the self-regulating capacity of markets.

Capitalist institutions include private banks, financial markets, labor contracts, and regulatory bodies, all oriented toward maximizing economic output and profit. The legal framework is secular and rooted in liberal political theory, which assumes that minimal state intervention yields optimal outcomes (Rodrik, 2021). As a result, regulatory institutions are often reactive rather than proactive, stepping in only when market failures occur. The emphasis on individual freedoms and corporate autonomy shapes policies that favor deregulation, privatization, and capital mobility (Acemoglu & Robinson, 2019). This institutional logic fosters innovation but also creates vulnerability to financial speculation, social inequality, and environmental degradation.

In contrast, institutions in the Sharia economic system are guided by divine injunctions and structured around the goals of maqasid al-shariah. These institutions are designed not only for efficiency but for moral fulfillment and social justice (Kamali, 2008, p. 73). Key economic institutions include zakat management bodies, baitul mal (public treasury), Islamic financial institutions (based on profit-and-loss sharing), and waqf (charitable endowments). Each is structured to serve the community's spiritual and material well-being, not merely to stimulate production or consumption (Obaidullah, 2022, p. 93). Contracts in Sharia economics are relational, not purely transactional, emphasizing mutual consent (taradhi) and moral intent (niyyah).

The legal system supporting Sharia economics integrates ethical norms into contractual enforcement. For instance, sharia courts or oversight boards ensure that economic activities conform to Islamic legal and moral standards. These institutions are designed to prevent exploitative practices such as riba (interest), gharar (excessive uncertainty), and maysir (gambling), which are considered socially harmful even if economically profitable (Chapra, 2016, p. 127). Unlike the capitalist legal framework, which tolerates morally questionable behavior if legally permissible, the Sharia system enforces an ethical baseline across all economic transactions (Asutay, 2021).

Institutional governance in capitalist economies tends to be hierarchical and performance-driven, with corporate boards and shareholders prioritizing returns. In Sharia economics, governance includes religious scholars (ulama), sharia supervisory boards, and public trustees who assess not only financial performance but also compliance with Islamic ethics (Ahmed, 2020). Decision-making thus becomes a multidimensional process involving financial, social, and spiritual accountability. This broader conception of governance supports the goal of maslahah—enhancing communal welfare—rather than maximizing profit alone.

Importantly, capitalist institutions often face challenges in internalizing social costs. Environmental degradation, labor exploitation, and monopolistic behaviors are treated as externalities rather than institutional failures (Stiglitz, 2020). In contrast, Sharia-based institutions seek to internalize such costs through built-in redistributive mechanisms and moral constraints. For example, zakat and waqf systems serve as institutionalized forms of wealth redistribution that mitigate inequality without relying solely on state intervention (Mirakhor & Iqbal, 2017). These institutions aim to preserve socio-economic balance (tawazun) and reduce systemic injustice.

Finally, capitalist institutions are shaped by globalization and are often embedded in transnational financial systems that may override local values. Sharia institutions, although increasingly globalized, retain a normative anchor in Islamic jurisprudence, which resists homogenization (Haneef & Furqani, 2019). This distinction highlights the importance of institutional pluralism and the need for models that reflect indigenous values and communal priorities. In this way, institutional design becomes a reflection not only of economic logic but of civilizational worldview.

The comparison underscores that while both systems possess structured institutions, their underlying rationales diverge sharply. Capitalism builds institutions to optimize market performance; Sharia economics constructs institutions to fulfill ethical and communal obligations. These differences are not merely procedural but signal competing visions of governance, responsibility, and purpose in economic life.

3.Wealth Distribution and the Pursuit of Economic Justice

This section explores how capitalism and Sharia economics conceptualize and implement wealth distribution and economic justice—an area where their divergence is most pronounced. In capitalist economies, the distribution of wealth is largely determined by market outcomes. Individuals are rewarded based on productivity, innovation, and resource ownership, resulting in income inequality that is often considered a necessary trade-off for growth and efficiency (Mankiw, 2021). The theory of marginal productivity justifies unequal outcomes as reflective of differing contributions to production. However, critics argue that this meritocratic ideal often conceals systemic barriers and historical injustices (Piketty, 2014; Stiglitz, 2020).

Sharia economics begins from a radically different premise. Wealth is considered a trust (amanah) from God and must be used in ways that fulfill both personal needs and communal obligations. The Qur'an emphasizes redistribution through instruments like zakat, sadaqah, and waqf, aiming to prevent excessive accumulation and ensure basic needs are met for all members of society (Chapra, 2016, p. 131). Economic justice in this system is not just about equal opportunity but about safeguarding haqq al-maal (the rights of wealth) so that no one is deprived of livelihood or dignity. This ethical commitment translates into institutional mechanisms that mandate redistribution, not as charity, but as legal and spiritual duty.

In capitalist systems, redistributive mechanisms such as taxation and welfare are state-based and often politically contested. Policies may vary widely depending on ideological shifts, and social safety nets are frequently vulnerable to budgetary constraints and political will (Rodrik, 2021). Moreover, redistribution is often designed to be minimally disruptive to market incentives, leading to limited impacts on structural inequality. In contrast, the Sharia economic model embeds redistribution within the economic process itself. Zakat is compulsory for eligible Muslims and calculated directly from wealth, while waqf allows private assets to be permanently allocated for public welfare (Obaidullah, 2022, p. 112).

Another critical distinction lies in how each system measures economic justice. Capitalism typically uses quantitative metrics such as GDP growth, income per capita, or poverty thresholds to assess performance. While these indicators provide useful snapshots, they often fail to capture broader issues like inequality, social cohesion, or ethical concerns (Sen, 2017). Sharia economics, by contrast, evaluates success through a combination of material sufficiency and spiritual wellbeing. The goals of maqasid al-shariah—especially the preservation of wealth, life, and dignity—provide a multidimensional framework for assessing justice (Kamali, 2008, p. 78). Economic policies are thus judged not only by outcomes but also by the values they embody and the social impact they generate.

Capitalist economies have witnessed rising wealth concentration over the last few decades, with the top 1% increasingly controlling a disproportionate share of global assets (World Bank, 2022). Despite policy efforts, such as progressive taxation or universal basic income pilots, structural inequality remains persistent. Sharia economics offers a proactive approach to this issue by regulating wealth circulation through moral obligations and legal prohibitions. Practices such as hoarding (kanz) are discouraged, and economic inactivity of wealth is considered a violation of communal rights (Ahmed, 2020). The aim is not absolute equality but equitable access and social harmony.

Furthermore, Sharia economics emphasizes intergenerational justice. Wealth is meant to be preserved and enhanced for future generations through ethical investment and sustainable consumption (i'tidal) (Asutay, 2021). Capitalist systems, however, often prioritize short-term profits and shareholder returns, sometimes at the expense of environmental and social sustainability. Although ESG (Environmental, Social, Governance) principles are gaining traction in capitalism, they remain voluntary and lack enforceability. In contrast, Sharia economics incorporates sustainability as a divine obligation and a condition for valid economic action.

Ultimately, each system constructs justice through different philosophical lenses. Capitalism relies on procedural justice—fair rules and market participation—while Sharia economics emphasizes substantive justice—fair outcomes rooted in divine and communal responsibilities. These differing priorities shape not only wealth allocation but also social expectations, legal norms, and cultural narratives around prosperity and fairness. By comparing these frameworks, the study highlights the potential for Sharia economics to offer corrective insights into contemporary challenges of inequality, moral disengagement, and development failure.

This study has revealed that capitalist and Sharia economic systems diverge fundamentally in their ethical premises, institutional logic, and distributive objectives. Through a structured comparison of their core values, governance models, and justice frameworks, the research has shown that capitalism emphasizes market efficiency, individual autonomy, and utility maximization, while Sharia economics prioritizes moral accountability, collective welfare, and spiritual purpose. These contrasting paradigms generate distinct outcomes in both principle and practice, challenging the notion of a universal economic model.

The first research question—concerning ethical foundations—has been addressed by identifying how capitalism constructs morality through self-regulating markets and rational choice, whereas Sharia economics embeds ethics within divine guidance and communal responsibility. This ethical divergence is not peripheral but foundational, shaping both the behavior of economic agents and the design of institutions. The second research question, focusing on institutional arrangements, has been answered by examining how capitalist institutions are built to facilitate market transactions with minimal moral oversight, while Sharia-based institutions are inherently normative, ensuring compliance with Islamic law and values. This leads to differentiated approaches in governance, oversight, and social engagement.

The third research question—on wealth distribution and economic justice—has shown that while capitalism depends on indirect and often politicized redistributive mechanisms, Sharia economics mandates proactive wealth circulation through instruments like zakat and waqf. These tools operationalize justice not as an optional policy choice but as an obligation tied to the preservation of human dignity and social harmony. Together, these findings contribute to a conceptual refinement of how economic systems can be classified, not only by efficiency or growth metrics but also by the values they institutionalize and the justice they deliver.

The theoretical implication of this study lies in its expansion of moral economy and institutional theory through an integrative, comparative lens. By analyzing capitalism and Sharia economics side by side, it becomes possible to critique mainstream models without abandoning analytical rigor or falling into ideological essentialism. This study also contributes to Islamic economics by framing it as a coherent alternative paradigm, capable of addressing contemporary economic challenges while rooted in timeless ethical principles.

Practically, the findings suggest that Muslim-majority countries seeking to balance growth with justice should consider strengthening Sharia-based institutions and regulatory mechanisms that align with maqasid al-shariah. Policymakers can draw on this study to design frameworks that integrate ethical accountability into finance, taxation, and welfare distribution. Furthermore, international institutions interested in development equity might explore how values-based systems like Sharia economics offer viable alternatives to market-centric paradigms. This research, therefore, not only fills a critical gap in comparative economic scholarship but also opens pathways for reimagining economic justice in a world marked by inequality, uncertainty, and moral complexity.

CONCLUSION

This study has provided a comprehensive comparative analysis of capitalist and Sharia economic systems by exploring their ethical foundations, institutional arrangements, and approaches to wealth distribution. The analysis has demonstrated that the two systems are not simply variations within a shared economic logic, but rather represent fundamentally different conceptions of value, purpose, and justice. Capitalism, grounded in individual autonomy and market rationality, fosters innovation and efficiency but often fails to address structural inequality and ethical concerns. In contrast, Sharia economics situates economic behavior within a broader moral framework, emphasizing divine accountability, social equity, and spiritual well-being.

By engaging with the theories of moral economy, institutional design, and distributive justice, the study has shown how each system reflects its underlying worldview through both normative ideals and operational mechanisms. The capitalist system constructs institutions to maximize productivity and market efficiency, with redistribution treated as a secondary concern. Sharia economics, conversely, embeds ethical obligations into institutional structures from the outset, making justice and welfare integral to the economic process. These findings affirm that economic models cannot be meaningfully evaluated without considering the values they institutionalize and the outcomes they prioritize.

The contribution of this study lies in its development of a unified comparative framework that bridges ethical theory, institutional analysis, and distributive outcomes. It reaffirms the need for pluralism in economic thought and highlights the relevance of Sharia economics in addressing contemporary issues such as inequality, moral disengagement, and development asymmetry. By analyzing both systems not in isolation but in relation to one another, this research challenges the dominance of value-neutral models in economic scholarship and opens space for more holistic paradigms grounded in both efficiency and ethics.

From a practical standpoint, the study offers several implications. Policymakers in Muslim-majority societies should consider institutionalizing mechanisms such as zakat, waqf, and profit-loss sharing as central—not peripheral—components of economic planning. Financial regulators and educational institutions might also integrate Sharia-based principles into curriculum and practice to cultivate ethically conscious economic agents. For global development actors, this study underscores the importance of context-sensitive models that respect local values while promoting inclusive growth.

Future research should build on this foundation by exploring empirical case studies where Sharia economic principles have been implemented at scale, assessing their effectiveness across different socio-political environments. Comparative studies could also extend to other non-Western paradigms, enriching the global discourse on economic alternatives. Ultimately, rethinking economic systems through the lens of ethics and justice is not merely a scholarly exercise, but a pressing necessity in an era of deepening inequality, moral crisis, and institutional fragility.

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