would nevertheless put more emphasis on comparative legal or theoretical issues, which are both neglected by Lombardi, and would situate the jurisprudence of the SCC in more general terms in the context of contemporary debates, such as the ones on constitution and tradition or law and social change.

All in all, this book can be recommended to anyone interested in Islamic constitutional thought and its application today.

MAHMOUD A. EL-GAMAL, *Islamic Finance: Law, Economics, and Practice* (London: Cambridge University Press, 2006). Pp. 240. $63.00 cloth.

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This is a timely book providing an analytical critique of contemporary Islamic finance by a leading Muslim scholar. Bringing together elements of his previous research, El-Gamal presents an integrated version of his criticism of "Islamicized" and form-oriented finance and suggests an alternative for an efficient and equitable finance, Islamic or otherwise. The analytical-conceptual framework of the book is in line with neoclassical economics of finance and the author's preferred interpretation of *fiqh* (Islamic jurisprudence). The book raises these questions: Is contemporary Islamic finance fundamentally different from conventional secular finance? How could contemporary Islamic jurisprudence overcome the current problems of Islamicized finance?

In El-Gamal's view, the primary emphasis of contemporary Islamic finance "is not on efficiency and fair pricing" but rather "contract mechanics and certification of Islamicity by 'shari'a Supervisory Boards'" (p. 1). By relying on the cooperation of bankers, specialized lawyers, and Islamic jurists who certify the Islamic-ness of different financial products and services, shari'a boards change into modern contracts the premodern Islamic contracts of credit sales, lease, and simple partnerships by duplicating the substantive functions of conventional secular financial instruments, markets, and institutions. Thus, the source of the problem is the dilemma of being similar to conventional finance while trying to preserve a distinctive Islamic character. In a captive, segmented market for Islamic financial products, this dilemma has led to the dominance of a practice that he calls form-oriented shari'a arbitrage, which leads to higher transaction costs mainly because of jurist and regulatory lawyer fees and to the relative inefficiency of Islamic finance—without avoiding the harmful effects of the classical *fiqh*'s two major prohibitions of financial transactions, *ribā* and *gharar* (excessive risk).

El-Gamal asserts that medieval contracts developed by classical jurists were "efficiency-enhancing," given the conditions of the period (p. 10). However, contemporary Islamicized finance in both Sunni and Shi'i practices does not realize the "substantive spirit" of the classical jurists as long as it is more concerned with medieval nominate contracts in form. It will remain "an inefficient replication of conventional finance . . . " (p. 25). By separating borrowers and lenders from interest-bearing loans in the forms of multiple sales, such as *murābaḥa* (a multiple sale transaction, cost-plus credit sale) and *tawarruq* (a three-party multiple sale), shari'a arbitrage raises the transaction cost relative to conventional finance and nominally avoids *ribā* in a captive market. In this form-driven, rent-seeking behavior, economic efficiency is reduced and, in the language of neoclassical economics, gives rise to dead-weight losses (p. 25).

In Chapters 2 and 3 El-Gamal discusses fundamentals of Islamic transaction law in the premodern and contemporary world and what is "intended by the prohibitions" of *ribā* and *gharar* (p. 46). His objectives are to lay the foundation for his criticism of the form-oriented nature of contemporary Islamic finance and to depict the gap between this orientation and the substantive approach of classical jurists. He asserts that the "good" *fiqh* rulings on financial transaction by his preferred Islamic jurists, notably Ibn Rushd, were based on their interest in conditions of equitable efficiency in exchange whereas the tendency today is "de facto codification of bad jurisprudence" (p. 35). *Ribā* is not exactly the same thing as interest; therefore, Islamic finance is not exactly the same as interest-free finance. Yet current Islamic finance is essentially preoccupied with the creation of contracts that are supposedly devoid of *ribā* and excessive risk even though popular contracts such as *murābaḥa* and *tawarruq* replace interest on loans and debt instruments (e.g., bonds). In fact, in such cases interest is charged as rent in leases or price markup in sales, in costly multiple-trade and synthetic loan transactions.

In El-Gamal's view this leads to regulatory finance and banking practices that camouflage interest. Such multiple trading in commodity and asset can lend itself easily to criminal financial activities. The difference between conventional finance and Islamicized finance is only superficial. Yet this superficial difference enables the providers of Islamicized finance to take advantage of devout Muslims.

In Chapter 3 the author analyzes the economic substance of *ribā* and *gharar* and identifies what in his view was intended by the classical *fiqh* prohibition based on Ibn Rushd's specification of the conditions for efficiency in exchange and on rulings by classical jurists who identify *ribā* only in sale contracts. El-Gamal concludes that in financial transactions *ribā* is the prohibition of trading in credit as unbundled commodity, and *gharar* is trading in risk as unbundled commodity. The first prohibition prevents excessive borrowing, and the second limits the exposure of Muslims to "excessive financial risk or payment of mispriced premia to eliminate existing risk" (p. 60). For this reason, classical *fiqh* developed methods of trading in credit and risk as valid bundled contracts, such as credit sale (*murābaḥa*) and lease financing (*ijāra*) because the extension of credit and the transfer of risk is necessary in economic and financial activities. Yet according to El-Gamal, the classical contract *form* can be and is used in contemporary Islamic finance "as apparently legitimate means towards illegitimate ends" (p. 62). In such cases, the bundling of credit based on multiple valid sales serves as a legal stratagem to "Islamicize" forbidden interest-based lending without serving the substance of Islamic law, which should be balancing benefits (e.g., expanding economic activity) and risks.

In Chapters 4–7 El-Gamal presents a detailed critique of classical nominate contract-based solutions to the prohibitions of *ribā* and *gharar* in "rent-seeking" sale-based current Islamic finance. The prevalent practices here are the "inefficient" *murābaḥa* and *tawarruq* as double-sale-based financing that, unlike classical *fiqh*, bind the customer to buy the property on credit once the bank buys it. Other forms are derivative-like sales, such as *salam* (prepaid forward sale) and *ʿurbūn* (in the form of call option), structured leasing or lease-based securitization methods (transforming one type of financial exposure into the other) that disguise debt in order to show lower debt-to-asset ratios, sale of debt to the debtor at or below par value. El-Gamal approves of those contracts that serve both the form and to some extent the substance of the law, for example, in the case of *sukūk* issuances as asset-backed leasing bonds, in which marking to market is more clear.

In Chapter 7 El-Gamal deals with *mushāraka* (partnership) and *muḍāraba* (equity investment) in the forms of stock- and mutual-fund ownership and index participation with or without principal protection. He criticizes the inaccuracy of legal interpretations of many currently structured contracts in partnership and equity investment and affirms the weakness of classical rulings in terms of inherent unreliability and instability problems that such contracts may give rise to in practice.

The analytical emphasis in Chapter 8 concerns how Islamic banking in financial intermediation and Islamic insurance in risk intermediation leads to shariʿa arbitrage. The author argues that despite debates among jurists, Islamic banking and insurance have replicated conventional banking and insurance by being preoccupied with "interest-free" even as "finance without 'interest' generally defined is impossible" (p. 144).

How would El-Gamal modify Islamicized finance in order to make it more efficient? For him the correct path is to view "Islamic" financial institutions in terms of general agency contracts based on a mutuality approach and not as specific investment agency (*muḍāraba*) contracts. Such a view respects the substance of classical prohibitions in content, that is to say, the prudential regulatory mechanism of the prohibitions—regardless of whether it keeps the classical nominate forms—based on economic consideration of agency and asymmetric information problems.

In this approach, existing regulatory practices in the West can govern Islamic banks and insurance companies without adding shariʿa arbitrage transaction costs of multiple-sale contracts in mimicking conventional bank assets and liabilities. This option would respect the economic substance of transactions, freeing Islamic finance from inefficiency and formulaic juristic support by redefining it in terms of consumer protection and social development (Chapters 9–10). Ultimately, this approach would favor development of financial products based on sound and equitable principles that can be offered to "Muslim and non-Muslims alike without hiding behind the 'Islamic' brand name" (p. 25).

El-Gamal's scholarly arguments are controversial among shariʿa board jurists and lawyers as well as shariʿa scholars, many of whom assert that they are not firmly based on the norms of classical *fiqh* for the derivation of religious rulings. Some scholars reject his reasoning in concrete cases. His study nonetheless succeeds in exposing shariʿa arbitrage in Islamic finance and proposes ways of conducting Islamic finance efficiently.

This work could have been enriched by empirical verification of current methods of Islamic finance and variations in Sunni and Shiʿi Islamic banking practices, especially in those countries that claim to have an Islamic banking system. The extensive use of financial/banking terms, indispensable for serious scholarly discussion, puts the study out of the reach of many readers who may be interested for religious reasons. In sum, this study is an important contribution.

TIM NIBLOCK, *Saudi Arabia: Power, Legitimacy and Survival*, The Contemporary Middle East (New York: Routledge, 2006). Pp. 224. $135.00 cloth.

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This is a very concise yet comprehensive work on modern politics in Saudi Arabia. It has important implications for the study of regional and comparative politics. Niblock does an excellent job of discussing the economic, political, and social bases for the contemporary Saudi state. The focus of the work is to illustrate how the Saudi state has managed to survive by adroitly manipulating the economic, political, and social environment. Niblock does a good job of discussing issues of political legitimacy within the kingdom from various perspectives. These include ideological, traditional, and personal legitimacy. He also discusses the ability of the regime to deliver on the social-welfare policies the Saudi public expects. A major focus of the work is Niblock's emphasis on political reform in the kingdom and the democratic/structural legitimacy that a *majlis* would bring to the ruling elites.