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**The making of Islamic economics : an epistemological inquiry into Islam's moral economic teachings, legal discourse, and Islamization process**

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# The Making of Islamic Economics

An Epistemological Inquiry into Islam's Moral Economic Teachings, Legal Discourse, and  
Islamization Process

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## Introduction

### 1. The Premise

Economic thought in Islamic tradition is not about economics as we understand it in modern terms, with respect to material prosperity, production, distribution, consumption and transfer of wealth. In fact, one could state that economic thought analyzed by classical Muslim scholars is the least concerned with such pursuits. Rather, it pertains to much broader human relations and behavioural patterns of spiritual, metaphysical, and above all, moral qualities.

The importance of spiritual-moral economic development that was present in Islamic intellectual tradition is understood differently in the contemporary subject of Islamic economics and finance for various reasons. The birth of contemporary Islamic economics was colored by the evolution of the natural and social sciences, and the European classification of modern social sciences,<sup>1</sup> including economic discipline, which is concomitant with a particular worldview and vision of knowledge. Contemporary Islamic economics also drew from the socioeconomic and political developments that occurred in the Middle East and South Asia in the 19<sup>th</sup> century, as many Muslim revivalists<sup>2</sup> across the region envisioned an Islamic society with *Sharī'a*<sup>3</sup> as a central paradigm. This impacted the Muslim development of contemporary Islamic economics vis-à-vis the Islamists' call for an Islamic state and the process of Islamizing sciences, which has been narrated as one component of Islamic identity. This is, however, only part of the story. Europe's incursions into the Middle East in the 19<sup>th</sup> century amounted to a paradigmatic geopolitical and economic shift in Muslim countries.<sup>4</sup> Economic ideas expounded by Muslim scholars in the first half of the 20<sup>th</sup> century (as it will be indicated in Chapters One and Two) emerged as a call for an Islamic vision of (state) economy, which went hand-in-hand with early 20<sup>th</sup> century Islamists' vision of an Islamic state. This was followed in the latter half of the same century by a flourishing of Islamic economic theories and the establishment of an Islamic banking system.

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<sup>1</sup> See Thumas Khun, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970).

<sup>2</sup> In the thesis, I use the terms revivalists, reformists, Islamists, and *nahḍa* scholars interchangeably, unless otherwise indicated. For more details about the revivalist period, its main representatives, and their ideas, see Chapter One.

<sup>3</sup> All Arabic (and Persian) characters, words, and phrases are transliterated according to the Encyclopaedia Islamica style. "System of Transliteration of Arabic and Persian Characters," *Encyclopaedia Islamica*, last modified 2017, <http://referenceworks.brillonline.com/entries/encyclopaedia-islamica/system-of-transliteration-of-arabic-and-persian-characters-transliteration>.

<sup>4</sup> Tomoko Masuzawa, *The Invention of World Religions* (Chicago and London: University of Chicago Press, 2005), 180.

The gist of the problem of Islamic economics is, however, not so much about the question of identity, but rather the position of science, the perception of knowledge, and the role of *Sharī'a* in constructing such an identity in relation to the colonial restructuring of social fabric. As will be evident in the following pages, Islamic economics has been trapped in this construction of scientific positivism, colonial sociopolitical determinations, and the call to Islamize knowledge, which eventually surfaced as a re-configurative economic system, only to yet again be incorporated in the domain of mainstream or orthodox economic narratives.<sup>5</sup>

From the very outset, this thesis is concerned with the plural and polyvalent methodology of studying the phenomenon of Islam as “the historical and human phenomenon...in its plentitude and complexity of meaning,”<sup>6</sup> economic thought in Islamic tradition, and *Sharī'a* through a multitude of approaches in what I call the plural epistemology of Islam’s moral economy,<sup>7</sup> which advocates for a multifaceted hermeneutical reading of the subject. Since epistemological reasoning is also concerned with the question of justification and the limits of this field, the epistemological inquiry poses questions about what sources are utilized by religious scholars and Muslim economists, and how the plural epistemology can be presented as an alternative hermeneutical field. I propose approaching the phenomena of (contemporary) Islamic economics through a genealogical, epistemological, and social analysis of the conditions that formed the very subject, and to further introduce the mechanisms and methodology to study economic teachings in Islamic tradition.

This thesis does not analyze the field of economics and finances *per se*, but the discourse and conceptual framework of economic thinking in Islamic tradition pertaining to moral, philosophical, and theological ideas of classical and contemporary Muslim scholars. Also, it does not aim to address and/or compare the relation between and among the neoliberal capitalist,<sup>8</sup> Marxist, and Islamic economic thinking.<sup>9</sup> Instead, it interrogates how the subject matter and the discourse of Islamic economics emerged, what forces attributed to

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<sup>5</sup> By orthodox or mainstream economics, I refer to economic theories often described and considered as part of the neoclassical economics tradition. Mainstream economics applies rational choice theory and emphasizes individual’s maximization of his own utility. Moreover, such theories use statistics and mathematical models to demonstrate economic developments. For more see e.g. Richard D. Wolff, Stephen Resnick, *Contending Economic Theories: Neoclassical, Keynesian, and Marxian* (Cambridge, MA: Massachusetts Institute of Technology, 2012).

<sup>6</sup> Shahab Ahmed, *What is Islam? The Importance of Being Islamic* (Princeton: Princeton University Press, 2016), 5.

<sup>7</sup> See Chapter Five.

<sup>8</sup> By neoliberal economics I mean neoliberal political philosophy, whose public policy and assumptions often refer to neoclassical economics, and uphold free trade, low taxes, and low government regulations. Neoclassical economic movement, which started between 1960 and 1980, relates to intellectual tradition of classical liberalism. Richard D. Wolff, Stephen Resnick, *Contending Economic Theories: Neoclassical, Keynesian, and Marxian*, 336-338.

<sup>9</sup> On comparison between neo-liberal, Marxist and Islamic economic ideas, see for instance Maxime Rodinson, *Islam and Capitalism* (New York: Pantheon Books, 1974); Muḥammad Bāqir al-Ṣadr, *Iqtisādunā* (Tehran: WOFIS – World Organization for Islamic Services, 1982), Vol. 1, part one and two.

its development, and even more so, to what extent it relies on the premodern economic thought in Islam. It is hence centered on the *making* of Islamic economics as an intellectual endeavour and as a discipline. Despite the fact that Chapters Two and Four analyze the methodological shortcomings of contemporary Islamic economics, this thesis neither attempts to engage with political criticism of the contemporary Islamic economic project, nor does it seek to underpin its religious ideas. Rather, it attempts to analyze classical economic tradition in Islam and its distinguished features, which have been lost in the modern era. It does so through tracing the sociology of knowledge that occurred in the shift within the structural processes from colonial to postcolonial Muslim states and by peering into Muslim scholars' writings that elaborate how local structures foresaw socioeconomic development through constructing possible "Islamic" solutions.

This project sets forth to demonstrate that the popular discipline of Islamic economics often obstructs the complexity of historical, sociopolitical, intellectual, and especially moral structures and boundaries between morality, *Sharī'a*, and economic conduct. If one were to claim that there is no existing Islamic economy *per se*, this would be done in light of renouncing the existing platform of contemporary Islamic economics with its financial and banking aspects that have been put into practice, which retrospectively justifies the validity of the discipline. A different epistemological and hermeneutical rereading of Islamic economics via the classic Islamic culture, which nurtured a multiplicity of major paradigms (e.g. *Sharī'a*, *taṣawwuf*,<sup>10</sup> philosophy, theology, etc.) can provide both a metanarrative of viewing economic teachings in Islamic tradition as a method to bridge the gap between the heavenly and the mundane, and a consolidation of seemingly unlikely concepts, such as responsibility with economic conduct, morality<sup>11</sup> with law, spirituality with *Sharī'a*, and *'ilm* with *'amal*. Thus in order to explicate the *making* and *unmaking* of an Islamic economic discipline, it is of utmost importance to first discern the legal supremacy of economics from its moral normativity, and second to provide a clear picture of systemic divergences and disparities between medieval and contemporary ideas by analysing Muslim scholars and their texts. In order to first analyse, and second de-essentialize and define the subject matter of Islamic economics with all its

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<sup>10</sup> In this thesis, I do not equate *taṣawwuf* with mysticism. While it is more appropriate to understand mysticism as belief that union with the Absolute is inaccessible to the intellect, *taṣawwuf* (and Sufism) is essentially concerned with experiential knowledge and the validity and authority of that knowledge. Throughout the history of Islam, there were diverse Sufi movements, wherein Sufism had been mystical in only some of them. For more on *taṣawwuf* see e.g. Muhammad Abul Haq Ansari, *Sufism and Sharī'a* (Leicester: The Islamic Foundation, 1986).

<sup>11</sup> As it will be shown in the following pages, primarily in Chapter Three and Five, the moral self is the center of restructuring of social fabric in Islamic tradition. Morality is not concerned only with rules and principles, but with the cultivation of certain inner dispositions and traits of character that in Islamic tradition pertain to the *Sharī'a's* moral cosmology. Hence, in view of *Sharī'a's* moral cosmology and classical Islamic tradition, morality is in line with virtuous standards based on pure will and intrinsic predisposition (*niyya*), and is not born out of a need to fulfill obligations. See e.g. al-Ghazālī, *The Alchemy of Happiness*, trans. Claud Field (London: J. Murray, 1910); H. A. Prichard, "Does moral philosophy rest on a mistake," *Mind*, Vol. XXI, Issue 81 (1 January 1912): 21-37, accessible at <https://doi.org/10.1093/mind/XXI.81.21>.

peculiarities and specifics, this thesis will examine the subject of Islamic economics, which include two different stocks of knowledge, “Islamic” and “Western” traditions of knowledge. Various religions and cultures have aimed to present the best economic model for humanity, advocating the aspect of justice and morality.<sup>12</sup> This is also the case for the Islamic tradition – however, the concept of the *moral* in Western and Islamic those traditions differs, substantially. In what follows, I briefly present the major aspects of the thesis, which concern economic history and philosophy in the West, social and intellectual history of Islamic economic thought, and how the two systems vary in their historical developments and epistemic (as related to knowledge and justification) reasoning of economics. In the second part of the introduction, I present the main research question. Finally, I survey each chapter of the dissertation and its major elements in more detail and discuss the need for and relevance of such scholarly research.

## 2. Five Aspects of the Thesis

Deconstructing and de-essentializing contemporary Islamic economics involves deciphering the metanarrative from its subject matter and exploring its genealogy and interconnectedness with the positivist social sciences, Islamists’ political orientation, and financial mechanisms of modern market-driven economics. This suggests that the history and genealogy of economic science in general, and economic thought in Islamic tradition in particular, cannot be conceived in a linear, monolithic manner as an incremental narration with nomothetic social sciences. Instead, it must be thought through an epistemologically plural hermeneutical field.

This thesis explores five conspicuous aspects of the discourse of Islamic economics, including its ontology and genealogy that are divided into five chapters. The introduction summons and briefly presents early modern Europe’s economic philosophy through, chiefly, the Cartesian reducibility of quality to quantity and Hume’s “is-ought” distinction. Chapter One is concerned with the sociopolitical and epistemological developments in Muslim countries at the turn of the 19<sup>th</sup> century, and the formation of the modern nation-state as a distinctly European project with the notion of the legal and the political. It includes Muslim revivalists’ vision of an Islamic state and society within the parameters of a modern state, as well as Muslim scholars’ re-appropriation of mainstream economic theories through the Islamization of knowledge process. Chapter Two analyzes contemporary Muslim economists and their views on, justifications of, and concerns with Islamic economics. Chapter Three presents the crux of the thesis by extrapolating classical economic tradition in Islam through

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<sup>12</sup> On the history of economics in Christianity, see Dotan Leshem, *The Origins of Neoliberalism* (New York: Columbia University Press, 2016).

moral, theological, metaphysical, and spiritual ideas. Chapter Four critiques the Islamic economic project as a hybrid discipline and Islamization of knowledge as a self-perpetuate narrative, while Chapter Five introduces new hermeneutical appropriations of and negotiations with the subject of economic thinking in Islamic tradition as a polyvalent field.

## **2.1. Western Philosophical Tradition and the Birth of Economic Science**

References to the philosophy of positivism in this thesis do not serve only to underline its structural critique in comparison to classical economic thought in Islamic tradition, but rather as a purpose to display its far-reaching implications also for contemporary Muslim economists who aimed to devise a new economic paradigm.

Economic science as a purely objective branch of knowledge neither existed in the classical Islamic tradition, nor in pre-Enlightened Europe.<sup>13</sup> Nowadays economics is regularly presented through use of a scientific method as being the only way to accrue knowledge, which is often purported as scientism, an ideological construction of science, which views that only scientific claims are meaningful. The science-religion divide depicts religious knowledge as incompatible with scientific reasoning, and is the result of various factors, including a shift in attitudes from liberal to evangelical Christianity in Europe, the rise of creationism in America, and advances in physics and biology, and is most noticeable in Western tradition. Yet, this view is antithetical to Islamic tradition in which the material constitutes a part of the cosmological. The quest for scientific (natural) economic laws and development of economics as an independent science (as organized knowledge) dates back to the very beginnings of philosophical thought and its relation to economic science. Despite its rich history, orthodox economic thought in the West can be read as an effort to separate ideological taints from objective research in order to establish its scientific status.<sup>14</sup> The divorce of economics and ethics, the two of which were formerly entangled with religion, took place first through the process of secularization during the Renaissance given the rise of the market and the subsiding of the moral to the necessities of the commodity exchange: “Secularization, thus

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<sup>13</sup> See for instance scholasticism and the theory of natural law. St. Thomas Aquinas, *Summa Theologica*, trans. Fathers of the English Dominican Province (Perryburg, Ohio: Benziger Bros. edition, 1947); Joseph A. Schumpeter, *History of Economic Analysis* (Oxfordshire: Taylor & Francis e-Library, 2006), chapter one.

<sup>14</sup> “From the mid-nineteenth century onwards economics has fancied itself as methodologically akin to physics. Therefore, almost inevitably economists saw the physics-related revolution in the philosophy of science as relevant to economics as well. Meanwhile the identification of economics with physics in the economist’s mind had become so strong that it almost completely obscured the most fundamental difference between the practice of physics (and indeed of all the natural sciences) and the practice of economics. Whereas physics invents and chooses its methods on the basis of the nature of the phenomena that it studies, economics does not.” Edward Fullbrook, “Introduction: Lawson’s reorientation,” in Edward Fullbrook, ed., *Ontology and Economics – Tony Lawson and His Critics* (London and New York: Routledge, 2009), 3.



understood, is properly described as a general orienting concept that causally links the decline of religion with the process of modernization.”<sup>15</sup>

The first aspect of the above-mentioned five-fold problematic is the so-called Cartesian bifurcation<sup>16</sup> that dissociates philosophy from theology, a move which in turn secularized the sciences of nature. The Cartesian bifurcation elevates quantitative measurement of science and theory while denigrating the direct experience of qualities. The distinction between false and true, uni- and multi-dimensional aspects of the universe, is encapsulated in the Scientific Revolution<sup>17</sup> and its main representative in the philosophy of René Descartes.<sup>18</sup> This theory goes hand-in-hand with the assumption that the external world is a mechanical structure, which bisects quality from quantity, since the *modus operandi* of physics is based upon measurements.<sup>19</sup> The Scientific Revolution was superseded by the Age of Enlightenment,<sup>20</sup> whose main figures include Voltaire, Denis Diderot, Jean-Jacques Rousseau, David Hume, Adam Smith, and Immanuel Kant. Between the 16<sup>th</sup> and 18<sup>th</sup> centuries, mercantilism as a type of national economic policy dominated parts of Europe. It was designed to maximize the export and trade of a nation by accumulating gold and silver

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<sup>15</sup> “...secularization theory has not been subjected to systematic scrutiny because it is a doctrine more than it is a theory. Its moorings are located in presuppositions that have gone unexamined because they represent a taken-for-granted ideology rather than a systematic set of interrelated propositions,” and Jeffrey K. Hadden, “Toward Desacralizing Secularization Theory,” *Social Forces*, Vol. 65, No. 3 (1987): 588, 598; see also chapter 8 in Larry Witham, *Marketplace of the Gods: How Economics Explains Religion* (Oxford: Oxford University Press, 2010).

<sup>16</sup> See Wolfgang Smith, *The Quantum Enigma: Finding the Hidden Key* (Hillsdale NY: Sophia Perennis, 2005), 7 ff; idem, *Cosmos & Transcendence: Breaking Through the Barrier of Scientific Belief* (San Rafael, CA: Sophia Perennis, 2008), 21-38; idem, *The Wisdom of Ancient Cosmology: Contemporary Science in Light of Tradition* (Oakton, VA: Foundation for Traditional Studies, 2009).

<sup>17</sup> For more on the scientific revolution and the interplay between mechanical philosophy and mathematical order see Richard S. Westfall, *The Construction of Modern Science: Mechanisms and Mechanics* (Cambridge: Cambridge University Press, 1978). On the critique of the progress in “normal sciences”, see Thomas Khun, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970). On the history and influence of scientific development in Islamic tradition, see George Saliba, *Islamic Science and the Making of the European Renaissance* (Cambridge, Massachusetts: MIT Press, 2007).

<sup>18</sup> “Somit darf ich als allgemeine Regel festsetze, daß alles das wahr ist, was ich ganz klar und deutlich auffasse.” (videor pro regulâ generali posse statuere, illud omne esse verum, quod valde clare & distincte percipio) Descartes, *Meditationes III*, trans. Gerhart Schmidt (Stuttgart, 1986), AT, 7:35 in Thomas Bauer, *Die Kultur der Ambiguität. Eine andere Geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011), 55 f.

<sup>19</sup> “The first thing to be noted is that one measures, not directly by sight, or by any other sense, but by means of an artefact, an appropriate instrument. What counts, in fact, is the interaction between object and instrument: it is this that determines the final state of the instrument, and hence the outcome of the measurement. And that outcome, moreover, will be a quantity... Now to be sure, the experimental physicist makes use of his senses at every step; and it is by way of sense perception, in particular, that he ascertains the final state of the instrument. But this does not mean that he perceives the quantity in question... What one perceives are corporeal objects of various kinds-including scientific instruments... But one does not perceive measurable quantities. And that is the reason why one needs an instrument. The instrument is required precisely because the quantity in question is *not* perceptible. It is thus the function of the instrument to convert the latter, so to speak, into the perceptible state of a corporeal object, so that, by means of sense perception, one may attain to the knowledge of something that is not in itself perceivable.” Wolfgang Smith, *The Quantum Enigma: Finding the Hidden Key*, 29-30.

<sup>20</sup> Michel Foucault, “What is Enlightenment?” in Rabinow (P.), ed., *The Foucault Reader* (New York: Pantheon Books, 1984), 32-50.

while minimizing costs.<sup>21</sup> Mercantilism developed during a time of major economic transition in Europe, when feudal estates were transforming into nation-states and the accumulation of monetary reserves from foreign nations prompted colonial expansions.

Closely related to the Cartesian bifurcation is the second perspective pertaining to Western economics and the inner association between “positive” and “descriptive” statements. This division is a consequence of David Hume’s “is-ought” dichotomy, whereby the “is” describes the way something “is,” whilst the “ought” denotes “what ought to be.”<sup>22</sup> It was this distinction that helped create the paradigmatic shift in the modern sciences that dichotomized fact from value, which culminated in the making of the modern bureaucratic state<sup>23</sup> – a fact which bears significance for the Islamic economic project. Since the Enlightenment, economists had been seeking to mathematize the study of economics. The result was the process of deductivism in economics (morphing developments within the discipline of mathematics into mathematical deductivism),<sup>24</sup> while practitioners were oblivious to the given inconsistency between the scientific and mathematical modelling, as well as about the ontological presuppositions of the nature of social reality. The rise of mathematical deductivism has culminated in positivism as a philosophical system that recognizes only that which can be scientifically verified, while rejecting metaphysics.<sup>25</sup> Namely, methods found to be successful in natural sciences were applied in social science. “The futile search for constants in human behavior condemns econometrics to sterility; it disregards the basic truth that human beings act.”<sup>26</sup> This dichotomy was, however, unknown to the classical Islamic intellectual tradition in which the economic, legal, and political were placed under the banner of the moral.

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<sup>21</sup> For an overview of mercantilist literature, see Joseph A. Schumpeter, *History of Economic Analysis*, chapter 7.

<sup>22</sup> David Hume, *A Treatise of Human Nature* (Auckland, New Zealand: The Floating Press, 2009).

<sup>23</sup> “This paradigm shift finds attestation in nearly all modern phenomena, beginning with the creation of a distinction between fact and value and Is and Ought and ending with the modern bureaucratic state, modern capitalism, and nationalism.” Wael Hallaq, *The Impossible State* (New York: Columbia University Press, 2013), 10, 75.

<sup>24</sup> “Academic economics is currently dominated to a very significant degree by a mainstream tradition or orthodoxy, the essence of which is an insistence on methods of mathematical-deductivist modelling.” Tony Lawson, *Reorienting Economics*, 3, 5.

<sup>25</sup> See e.g. Bruce Caldwell, *Beyond Positivism: Economic Methodology in the Twentieth Century* (London: Routledge, 1994); Milton Friedman, “The Methodology of Positive Economics,” in *Essays in Positive Economics*, ed. Milton Friedman (Chicago: University of Chicago Press, 1953), 3-43.

<sup>26</sup> According to Lawson, the world that mainstream economists analyze is the empirical world. Instead, economics ought to embrace a “social ontology” to include the underlying causes of economic phenomena. “I have argued for a theory of social ontology that includes forms of social structure, including social relationships, rules, positions, processes and totalities, etc., that collectively constitute a relatively autonomous realm, being dependent upon and resulting from human interaction, but with properties that are irreducible to human interaction, though acting back upon it.” Tony Lawson, *Reorienting Economics*, 68. In view of the positivist foundations of (Islamic) economics and its financial aspect, it is rendered undesirable since mathematical axioms often do not correspond to the reality on the ground, and have little to do with the epistemological axioms of classical economic thought.

The secularization of production processes as part of a modern discipline of economics with the idea of a rational individual who acts in his own self-interest, as well as the labour theory of value took place in the next century with Adam Smith. Smith's *Wealth of Nations* (1776) as an analytical book addressed political economy in the context of the industrial revolution.<sup>27</sup> Although Smith was an antimercantilist and a moral economist, the beginnings of classical economic thought<sup>28</sup> in the West also marks Smith's pursuit of laws of economic motion as found in physics by Newton, and Ricardo's proposition of the moral laws of distribution.<sup>29</sup> Some of the subsequent economic theories comprise also of Jevon's mechanic utility theory and Samuelson's theory of optimization, as they were – in spite of their multitude – delineated according to the natural sciences and laws, especially mathematics and physics.<sup>30</sup> Jevons states that his

... theory of Economics, however, is purely mathematical in character. Nay, believing that the quantities with which we deal must be subject to continuous variation, I do not hesitate to use the appropriate branch of mathematical science, involving though it does the fearless consideration of infinitely small quantities. The theory consists in applying the differential calculus to the familiar notions of wealth, utility, value, demand, supply, capital, interest, labour, and all the other quantitative notions belonging to the daily operations of industry. As the complete theory of almost every other science involves the use of that calculus, so we cannot have a true theory of Economics without its aid.<sup>31</sup>

The utilitarian philosophical tradition inspired by psychological hedonism influenced economic theories, by justifying that there is no distinction between needs and wants.<sup>32</sup>

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<sup>27</sup> Adam Smith, *The Wealth of Nations*, electronic version, MetaLibri, 2007.

<sup>28</sup> Although Smith's economic theory was appropriated by neoclassical economists, there is a discrepancy in reading Smith's theory of the invisible hand and the notion of self-interest among classical and neoclassical economists. See Adam Smith, *The Theory of Moral Sentiments*, electronic version, MetaLibri, 2005; Adam Smith, *The Wealth of Nations*, electronic version, MetaLibri, 2007

<sup>29</sup> David Ricardo, *On the Principles of Political Economy and Taxation* (Kitchener, Ontario: Batoche Books, 2001), chapter four.

<sup>30</sup> See Jeremy Bentham, *An Introduction to the Principles of Moral Legislation* (Kitchener, Ontario: Batoche Books, 2001); John Stuart Mill, *The Collected Works of John Stuart Mill, Volume IV - Essays on Economics and Society Part I*, ed. John M. Robson (Toronto: University of Toronto Press, London: Routledge and Kegan Paul, 1967); John Stuart Mill, "On the definition and method of political economy," in Daniel Hausman, ed. *The Philosophy of Economics: An Anthology* (Cambridge: Cambridge University Press, 2007), 52-69; David Ricardo, *On the Principles of Political Economy and Taxation* (Kitchener, Ontario: Batoche Books, 2001); Waleed Addas, *Methodology of Economics: Secular vs. Islamic* (Kuala Lumpur: International Islamic university Malaysia, 2008), 53.

<sup>31</sup> W. Stanley Jevons, *The Theory of Political Economy* (New York: Augustus M. Kelley, Bookseller, 1960), 3.

<sup>32</sup> This stems from Bentham's theory that the ultimate object of desire is pleasure. "Nature has placed mankind under the governance of two sovereign masters, pain and pleasure." Jeremy Bentham, *An Introduction to the*

Psychological hedonism indicates that the benefit of an item is qualitatively different but quantitatively similar, which further implies rationalizing future needs for wants. Such a philosophical tradition extends to economics, finances, property rights, the notion of distribution, and other domains of economic activities.

The separation of economics and ethics, as it is known nowadays, occurred in the 18<sup>th</sup> century, when economics became its own distinct science, as conceived also by John Stuart Mill, who advocated for the application of scientific method in social sciences.<sup>33</sup> The first phase was to set apart politics from morals and to establish economics as a respectable discipline, as an emancipated field, which subjected various domains and disciplines to its logic. This later became known as the “imperialism of economics.”<sup>34</sup> Classical economics included a value theory and distribution theory.<sup>35</sup> It is often that logic and mathematic science are regarded as objective and infallible conceptual and analytic tools in natural sciences. This mathematical empiricism, which pertains to the domain of ontology is a key methodical question for a scientist or philosopher. What August Comte, for example, aimed at is an arrangement of scientific knowledge in order to establish a hierarchy of sciences. And since he was concerned with social evolution, Comte styled a theory of natural progress.<sup>36</sup> “Methodologically, Comte’s plan was to observe historical and ethnological facts and to build his science of society from such generalizations as these facts would suggest. This is, of course, a very familiar program that was, then and later, espoused by numerous writers, especially by historical economists.”<sup>37</sup> However, it is rather an ontology (but also a worldview) that decides the method and not the other way around.<sup>38</sup> Since classical economic science was conceived in relation to the physical realm of inquiry, it adopted and maintained

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*Principles of Moral Legislation* (Kitchener, Ontario: Batoche Books, 2001), 14. See also John S. Mill, *Utilitarianism* (London: Parker, Son and Bourn, 1863).

<sup>33</sup> John Stuart Mill, *A System of Logic* (Harper & Brothers, 1882), electronic edition published by eBooks@Adelaide, 2014, accessed April 24, 2017; “John Stuart Mill not only turned economics primary concerns away from production and distribution to those of value, he also made the case that economics, and the social sciences in general, should ape the methodology of astronomy and physics.” Edward Fullbrook, “Introduction: Lawson’s reorientation,” in Edward Fullbrook, ed., *Ontology and Economics – Tony Lawson and His Critics* (London and New York: Routledge, 2009), 3.

<sup>34</sup> Jesus M. Zaratiegui, “The Imperialism of Economics over Ethics,” *Journal of Markets and Morality*, Vol. 2, No. 2, (1999): 208.

<sup>35</sup> See e.g. Michel Foucault, *The Order of Things* (New York: Vintage Books, 1994), 251-263.

<sup>36</sup> Auguste Comte, *A General View of Positivism* (Cambridge: Cambridge University Press, 2009), 22. For August Comte, the epistemological perspective of positivism in physical sciences had to be implemented in the science of human society – sociology. His view of positivism defines the methodology and empirical goals of sociological method, by perceiving the theological stage subordinated to the metaphysical, which was further subordinated to the positive. See Auguste Comte, *A General View of Positivism* (Cambridge: Cambridge University Press, 2009) 48; Harriet Martineau, trans., *The Positive Philosophy of Auguste Comte* (Kitchener, Ontario: Batoche Books, 2000), 27; Anthony Giddens, *Positivism and Sociology* (Aldershot, UK: Ashgate Publishing Limited, 2<sup>nd</sup> edition, 1974), 1.

<sup>37</sup> Joseph A. Schumpeter, *History of Economic Analysis*, 493.

<sup>38</sup> By ontology, I refer to Lawson’s study (or theory) of being or existence that is concerned with the nature and structure of an object in reality. See Tony Lawson, *Reorienting Economics* (London and New York: Routledge, 2003), 12.

the hermeneutical field of empirical knowledge, including mathematical statements.<sup>39</sup> Yet, purely scientific, objectifiable, and rational economic science was never established, for economic vision, epistemology, and methodology rest upon a particular worldview that is expounded by certain values.<sup>40</sup> In this sense, no field of knowledge, including economics, is value-free in its entirety.

The change in economic theory from classical to neoclassical economics – a term coined by Thorstein Veblen<sup>41</sup> – is, among others, attributed to William Stanley Jevons, Léon Walras, and Alfred Marshall, and has been called the “marginal revolution.”<sup>42</sup> Veblen was critical of his contemporaries and their views on economy as an autonomous and static field. Although he disagreed with the neoclassical economics of the time and described economic behavior as socially determined, he developed a 20<sup>th</sup> century evolutionary economics based upon Darwinian principles and ideas emerging from other fields of social sciences, such as, sociology, psychology, and anthropology. In spite of the fact that ethics does play a certain role in the economic and financial world, neoclassical economists believed that societal moral norms and codes can be assessed and analyzed from an economic point of view.<sup>43</sup> For instance, the cost benefit analysis is in Western economic tradition based on utility function,<sup>44</sup> in comparison to the classical Islamic concept of *maṣlaḥa* as a moral mechanism that employs social good. The theory of (mono) utility evolves around needs and wants, which is the

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<sup>39</sup> “The recent flurry of empiricist and quasi-empiricist views of mathematics is based on the assumption that mathematical statements are factual and empirical. The statement is perhaps stretchy. It could be correct only if the condition that mathematics is presented in theoretical terms capable of explaining some phenomenon or aspects of the physical reality. It has been convincingly shown that induction and analogy, albeit powerful tools of discovery, could not yet produce conclusive proofs or evidence for some well-known mathematical theorems. The use and failure of computers to verify the steps of mathematical logic in some cases – e.g. the four color theorem – implies that the conception of a proof can involve fallible arguments. Therefore, the falsifiability of a theory is taken as the main necessary condition for appraising theories against empirical evidence. In other words, falsifiability constitutes the true criterion of demarcation of ‘scientific’ propositions.” Waleed Addas, *Methodology of Economics: Secular vs. Islamic*, 93.

<sup>40</sup> Social sciences, including economics, sociology, political studies, anthropology and human geography, etc., deal not only with a different spatial reality, but also with a different structures and processes than natural sciences. See Tony Lawson, *Economics and Reality* (London and New York: Routledge, 1997).

<sup>41</sup> Thorstein Veblen, “The Preconceptions of Economic Science – III,” *The Quarterly Journal of Economics*, Vol. 14, No. 2 (1900): 261; Thorstein Veblen, *The Theory of the Leisure Class* (New York, and London: The Macmillan Company, 1912).

<sup>42</sup> Jevons saw his economic theory as an application of Jeremy Bentham’s utilitarianism. See Harro Maas, *William Stanley Jevons and the Making of Modern Economics* (New York: Cambridge University Press, 2005); Alfred Marshall, *Principles of Economics* (London: Macmillan and Co. 8th ed. 1920), accessed online (April 25, 2017).

<sup>43</sup> Jesus M. Zaratiegui, “The Imperialism of Economics over Ethics,” 216.

<sup>44</sup> “Eighteenth-century economics stood in relation to mathesis as to a general science of all possible order; nineteenth-century economics will be referred to an anthropology as to a discourse on man’s natural finitude. By this very fact, need and desire withdraw towards the subjective sphere – that sphere which, in the same period, is becoming an object of psychology. It is precisely here that in the second half of the nineteenth century the marginalists will seek the notion of utility.” Michel Foucault, *The Order of Things*, 257.

opposite of the Islamic approach to welfare that includes moral and spiritual needs.<sup>45</sup> The second phase of neoclassical theory upholds the claim that such economic theory was (meant to be) neutral.<sup>46</sup> This ultimate secularization of economic theory comes from the second reduction of quality to quantity, which encompass the whole of economic science. Furthermore, Marxism is entangled in this intricate web of science-value relation.<sup>47</sup> Despite its approach to renounce normative philosophical ethics as well as the validity of the state as a structure of the bourgeois economic interest,<sup>48</sup> Marxist analysis of politics affirms the legacy of the positive science.<sup>49</sup> Marxism, despite its social mechanisms that promote well-being of society at large, as well as theoretical underpinnings explaining the science of economic life and the means of production, entails dogmatic stipulations as would any other economic approach.

The formation of a modern nation-state – that established the norm of the legal as we understand it in Foucauldian terms as a top-down hegemonic approach and the subordination of citizens as legal subjects<sup>50</sup> – impacted the development of national economies.<sup>51</sup> The legal is inextricably interrelated to the concept of the political and the repercussions it had also for the emergence of political Islam.<sup>52</sup> Hallaq points out that the legal in any other era and society

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<sup>45</sup> “Despite the problems with the notion of a single use value, the conventional economic literature never (to our knowledge) discusses the analytical tool necessary for cases involving multiple use values on one hand and a single end on the other, which Islamic and other religious values require.” Waleed El-Ansary, “The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory,” *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 154; see also page 149.

<sup>46</sup> “But since mono-utility functions cannot support the distinction between values and tastes or intrinsic “good” and “evil,” the neoclassical theory of choice favours libertarian policies while claiming to be neutral, thereby smuggling psychological hedonism into economic policy while suppressing the need for substantive philosophical debate over these policies.” Waleed El-Ansary, “The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory,” *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 168.

<sup>47</sup> Even though Marx was not a moral philosopher and was opposed to morality and ethics of his time, he did have a moral theory of society. See R. G. Peffer, *Marxism, Morality, and Social Justice* (Princeton: Princeton University Press, 1990); Eugene Kamenka, *The Ethical Foundations of Marxism* (Routledge & Kegan Paul, 1962, electronic edition).

<sup>48</sup> For Marx, economic classes are contingent upon a nation-state, because a state is by definition an instrument of social control used by the members of one class to suppress the members of a subordinate another. Karl Marx, Friderich Engels, *Die deutsche Ideologie* (Berlin: Akademie Verlag, 2003). Hallaq notes that classical Muslim scholars would – although for different reasons – affirm the idea of disappearance of the bureaucratic state as envisioned by Marx in the post-capitalist (communist) society. See Wael Hallaq, *The Impossible State*, 31.

<sup>49</sup> Donald Clark Hodges, “Historical Materialism,” *Ethics, Philosophy and Phenomenological Research*, Vol. 23, 1962, 6. Marx was against the traditional notion of morality as an ethics of duty that is separated from the underlying concerns of daily life. In this sense, Marx sought an approach, which would unify daily concerns with moral concerns.

<sup>50</sup> See Michel Foucault, *Discipline and Punishment* (New York: Vintage Books, 1979).

<sup>51</sup> For Ludwig Mises (1881–1973), a leading spokesman of the Austrain School of Economics, the solution for a nation to avoid militaristic excursions was a return to rationalistic liberalism. See Ludwig Mises, *Nation, Staat, Wirtschaft: Beiträge zur Politik und Geschichte der Zeit* (Wien und Leipzig: Manzschel Verlags und Universitäts-Buchhandlung 1919).

<sup>52</sup> Salvatore holds that the hermeneutical field of political Islam grounded the revivalist Islam. Armando Salvatore, *Islam and the Political Discourse of Modernity* (Reading: Ithaca Press, 1997), 165-166. Bauer states

differs from the “legal” and the “moral” as they materialized in a modern state, for the legal was in premodern Islam derived from the moral.<sup>53</sup> Political theology (found within the Schmittian doctrine)<sup>54</sup> is only possible with the condition of the modern state. In consideration of Schmitt’s theory, law becomes a mechanism of politics, whereby the political is constituted by the state.<sup>55</sup>

Ever since the dichotomization of the “is-ought” problematic, moral economics has been treated as a reductionist phenomenon. Many contemporary economists claim that economics can be treated either as a natural science, with its important yet problematic element of mathematical deductivism, under the pretext that it can be validated, objectified and monitored; or it is handled as a social science, in that it is a spontaneous order that pertains to social institutions.<sup>56</sup> By doing the latter, one falls into the trap of ideological rationale, since the neoliberal economic paradigm has been driven by ideological force *par excellence*, treating economics according to market forces.

Economic ideas emerge out of social systems and as such within particular historical moments. In the modern era, concepts pertaining to economic theories and financial markets manifest epistemological and political realities in which economic provisions are made to be objectives themselves.<sup>57</sup> This has been facilitated by modern nation-state apparatus, while universities and academic departments furthered the study of conventional economics as “science.” For any economic system to be valid and to flourish, state laws and a particular political economy have to be enforced. The contribution of modern economic science, despite its plural and at times opposing theories and voices, inevitably led to the emergence of a global economic outlook that obliterates cosmological and moral foundations of human

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that West-oriented Islamic revivalism through traditionalism provided for the birth of fundamentalist Islam. Thomas Bauer, *Die Kultur der Ambiguität. Eine andere Geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011), 59-60.

<sup>53</sup> Wael Hallaq, *The Impossible State*, 83.

<sup>54</sup> Carl Schmitt, *Der Begriff des Politischen* (Berlin: Dunckner & Humbolt, 1979); for the English translation see Carl Schmitt, *The Concept of the Political*, trans. George Schwab (Chicago and London: Chicago University Press, 1996); Giorgio Agamben, *The Signature of All Things* (New York: Zone Books, 2009).

<sup>55</sup> The emergence of the nation-state is also intertwined with the idea of secularism and liberalism. Secularism is closely related to the project of the modern nation-states as a political doctrine in which economic behaviour was enmeshed with the concept of the legal and the political, and according to Charles Taylor, defined as an independent and non-religious political ethic. Considering such historical developments of secularism in Europe, the notion of sovereignty of a nation-state appeared to be defined in counter theological terms. Talal Asad, *Formations of the Secular* (Stanford: Stanford University Press, 2003); Isaiah Berlin, *Liberty* (Oxford: Oxford University Press, 2002), 2.

<sup>56</sup> For the proponents of the neoliberal approach see e.g. Milton Friedman, “The Methodology of Positive Economics,” in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), 3-43; Hayek argues in favour of a society organised around a market order, see Friedrich Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948); idem, *The Road to Serfdom* (Chicago: University of Chicago Press, 2007); idem, *The Counter Revolution of Science* (The Free Press of Glencoe Collier-Macmillan Limited, London, 1955).

<sup>57</sup> “The trouble about valuing means above ends—which, as confirmed by Keynes, is the attitude of modern economics—is that it destroys man’s freedom and power to choose the ends he really favours; the development of means, as it were, dictates the choice of ends.” Ernst F. Schumacher, *Small is Beautiful*, 51.

conduct, in that the ultimate value of economy is not welfare-oriented predispositions, but the maximization of individual provision.

A market economy can exist only in a market society... A market economy must comprise all elements of industry, including labor, land, and money. (In a market economy money also is an essential element of industrial life and its inclusion in the market mechanism has, as we will see, far reaching institutional consequences.) But labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market.<sup>58</sup>

As asserted by contemporary economists like Thomas Piketty and Tony Lawson, the term “economic science” must be tendered with caution. Even though for Piketty economics is part of the social sciences – which is, as will be discussed in Chapters Four and Five, a problematic categorization due to the mechanisms borrowed from natural sciences<sup>59</sup> – he is very skeptical of the term “economic science.” Piketty therefore advocates the usage of the term “political economy,” for, despite its old-fashioned usage, it fits the narrative of economy much better and sets it apart from other social sciences, namely its political, normative-based and moral intentionality.<sup>60</sup> Defined as political economy, economics is much more than just quantifications and formulas. It addresses the very core of social circumstances and analyzes various impacts on society, which is in Islamic tradition – unlike the neoclassical economics – not devoid of a moral fiber. From this perspective, economics cannot be perceived as a science on its own like physics per se, for science depends on predictability and certitude. Economics, conversely, has too often been proven to be wrong, yet correct only when analyzing events in retrospect. The market, whose final determinant is the state, is not a natural entity. The neoliberal conviction that views market economy as the absence of the

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<sup>58</sup> Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001), 74-75.

<sup>59</sup> On the development of social sciences, see Immanuel Wallerstein et al., *Open the Social Sciences* (Stanford: Stanford University Press, 1996,) 9-14; “Sociology was born in the midst of profound tension between religion and liberal culture in Europe, and only in this context can we understand the discipline of sociology's understanding of religion.” Jeffrey K. Hadden, “Toward Desacralizing Secularization Theory,” *Social Forces*, Vol. 65, No. 3 (1987): 589; see also Tomoko Masuzawa, *The Invention of World Religions* (Chicago and London: University of Chicago Press, 2005), 15.

<sup>60</sup> Piketty explains: “I dislike the expression ‘political science,’ which strikes me as terribly arrogant because it suggests that economics has attained a higher scientific status than the other social sciences. I much prefer the expression ‘political economy,’ which may seem rather old-fashioned but to my mind conveys the only thing that sets economics apart from the other social sciences: its political, normative, and moral purpose.” Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge, Massachusetts: The Belknap Press of Harvard University Press, 2014), 573-574.



state is a relatively recent phenomenon,<sup>61</sup> whereby the state is becoming similar to a business enterprise. The nation-state treats citizens as its entrepreneurs, and has proven that it is incapable of ensuring a healthy functioning of markets. Markets are not self-regulating, but they can ensure optimal conditions according to market regulations. In this sense, Smith's invisible hand – which has been the driving force of classical economic conception – is practically nonexistent. Economic solutions that are being presented thus ought not to be solely concerned with the material world, but with interrogating the basic fundamentals of human behavior. Hence, it would be naïve to expect from economists systemic propositions and theoretical solutions on how to reorganize social life. For these reasons, it has been argued that today's economic activities are separated from ethical considerations and the natural world.<sup>62</sup>

## 2.2. The Genealogy of Modern Islamic Economics

The perception of Islam as a political entity coincided with the notion of the political in the backdrop of 19<sup>th</sup> century Europe.<sup>63</sup> Muslim revivalists in the 19<sup>th</sup> and 20<sup>th</sup> centuries addressed political and social issues that eventually bolstered an economic Islam. In classical Islamic tradition, however, the individual did not exist for the sake of the state (government), but for the opposite. The governmental authority promoted the welfare to the individual,<sup>64</sup> which was part of the *umma* not as an abstract (worldly) entity but as a concrete (local) one. Hence, it is incumbent upon Muslim scholars to think of Islamic economics outside the box of the nation-state.

This conspicuous aspect of the debate on Islamic economics pertains to the colonial period and the conception of the state, which was in many ways seen as a reaction to and a continuation of the writings from the revivalist period in Islam (*al-nahḍa*).<sup>65</sup> While some Muslim revivalists advocated those theoretical excursions as a means of consolidating the moral, educational, and political transformation of Muslim societies,<sup>66</sup> others later in the 20<sup>th</sup> century attempted to restore the lost *adab* (moral and spiritual characteristics) of the Islamic

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<sup>61</sup> Thomas Piketty, *Capital in the Twenty-First Century*, 473-474.

<sup>62</sup> Ernst F. Schumacher, *Small is Beautiful* (London: Perennial Library, 1973), 92.

<sup>63</sup> On the notion of political, see Carl Schmitt, *Der Begriff des Politischen* (Berlin: Dunckner & Humboldt, 1979).

<sup>64</sup> See Sherman Jackson, *Islamic Law and the State: The Constitutional Jurisprudence of Shihāb al-Dīn al-Qarāfi* (Leiden: Brill, 1996), 224.

<sup>65</sup> For more on the intellectual history of *al-nahḍa*, see Jens Hanssen, Max Weiss, *Arabic Thought beyond the Liberal Age* (Cambridge: Cambridge University Press 2016).

<sup>66</sup> See e.g. Mawdudi, *Islamic Economic System: Principles and Objectives* (Delhi: Markazi Maktabah Islami, 1980); "The decision to go for Islam as a political formula to the detriment of Islam as a culture assumes the shape of a contemporary call for tatbiq (implementation) of the shari'a – it blatantly overlooks the history of the shari'a and the related predicament." Bassam Tibi, *Islam between Culture and Politics* (New York: Palgrave, Macmillan, 2005), 155.

civilization.<sup>67</sup> The revivalists' ideas (for the authors see methodology below) were largely expressions of the sociopolitical and economic conditions of the time. They called for the re-application of *Sharī'a* as state law and defended the Muslim subject, while aiming to implement methods, theories, and concepts that were unique and profound to the Western intellectual makeup. According to Bjørn Olav Utvik, the driving force of Islamism as a political ideology is social as well as religious: "... rather than being a hostile or negative reaction to change, Islamism could be seen as on the whole an effort to promote modernisation while Islamising, domesticating and indigenising it."<sup>68</sup>

The sociology of knowledge of Muslim societies changed during the colonial period. In the consecutive decades with the emergence of the nationalistic sentiments in South Asia, the echoes of political Islam and the resurgence of scholars who wrote on Islamic economics such as Muhammad Hamidullah, Abū al-A'ālā Mawdūdī, and others,<sup>69</sup> explored the concept of the Muslim state. Those religious scholars invoked the state – which was a uniquely European phenomenon – as a way to expand "authentic" Islamic ideas based on the Divine law. Consequently, the concept and institution of *Sharī'a* as a moral cosmology – as it was practiced by their Muslim predecessors in the classical period – was gradually being altered into a legal and juridical understanding, which would correspond to the modern classification.<sup>70</sup>

What followed was the merging of an Islamization of knowledge process and Islamic economic theories as a methodological hybridity of Islamic terminology and neoclassical economics. Since Muslim scholars have taken the existence of the nation-state for granted, including Islamist thinkers, I argue that contemporary Islamic economics is ideologically constructed through the mechanisms of secular economics, which rests upon the epistemology of neoclassical economics and the conditions of a modern nation-state that was made "Islamic" through the Islamization process. The Islamization of knowledge process that aimed to Islamize domains of human action, has been coined and developed in the second half of the 20<sup>th</sup> century by Isma'il al-Faruqi<sup>71</sup> and Muhammad Naquib al-Attas.<sup>72</sup> Pertinent to the Muslim conception of knowledge is the notion of *'ilm* and *ma'rifa*, translated as science and knowledge, not only as utilized and understood by the classical Muslim scholars themselves, but also from the modern context. Following the philosophy of Isma'il al-Faruqi and Muhammad Naquib al-Attas, the Islamization process has at least two strands that aim to

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<sup>67</sup> See Muhammad Nauqib al-Attas, *Islam, Secularism and the Philosophy of Future* (London, New York: Mansell, 1985); idem, Muhammad Nauqib Al-Attas, *Islam and Secularism* (Kuala Lumpur: ISTAC, 1993).

<sup>68</sup> Bjørn Olav Utvik, *Islamist Economics in Egypt* (Boulder, London: Lynne Rienner Publisher, 2006), 22.

<sup>69</sup> On the economic ideas in Islam between 1930 and 1970, see Chapter One.

<sup>70</sup> See e.g. Bassam Tibi, *Islam between Culture and Politics* (New York: Palgrave, Macmillan, 2005), 63-66, 148-166.

<sup>71</sup> Isma'il al-Faruqi, *Islamization of Knowledge* (Herndon, VA: IIIT, 1982).

<sup>72</sup> E.g. Muhammad Nauqib al-Attas, *Islam, Secularism and the Philosophy of Future* (London, New York: Mansell, 1985).

accommodate various teachings stemming from Islamic sources and basic principles in order to attain a new understanding of knowledge that would be suitable and applicable in Muslim countries, while often resorting to the methods, concepts, and theories of their Western counterparts. The Islamization process was most successfully applied to economic models. Islamic economics and banking, conceived through the Islamization process, has despite its theoretical critique of neoliberal economic paradigm, endorsed the mainstream political-economic ideology instead of pursuing the postulates that are supposedly intrinsic to Islamic economic thought, such as the idea of socioeconomic justice and higher moral ends. Given the impact of the Islamization of knowledge process on Islamic economics, several reservations for that model exist, since Islamization of economic appears to be only a temporary solution. Consequently, this process constructs a self-perpetuated narrative of its own economic worldview that does not primarily aim to provide for the social benefit of society as a whole, but rather sets to distinguish itself from other mainstream economic systems, or even operates within them. As explored in Chapter One, from the 1970s onwards, Islamic institutions, universities, and educational centers advocated for an economic curriculum that accommodated Western economic structures and courses.<sup>73</sup> This exposes the methodological confusion, which was seen only as a plan of action. Muslim economists perceived such a methodology as dependent on the subject it studied.<sup>74</sup> Due to the deductive method in contemporary Islamic economics, “research remained focused on the ‘ideal’ situations and normative behavior given by Islamic rules and values.”<sup>75</sup> As such, it prompted the study of economics as a legal subcategory that did not correspond to social reality on the ground.

As we shall see in Chapter Two, according to the majority of Muslim economists, the subject of Islamic economics is approached from a legal-financial perspective loosely embedded in *Sharī‘a* as a methodological tool. By establishing itself within the “scientific” parameters of knowledge, as it was known in 19<sup>th</sup> century Europe, Islamic economics presented itself as an alternative economic system to capitalism<sup>76</sup> and socialism, while tuning

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<sup>73</sup> Waleed A.J. Addas, *Methodology of Economics: Secular vs. Islamic*, 5.

<sup>74</sup> Zubair Hasan, “Islamization of Knowledge in Economics: Issues and Agenda,” *IJUM Journal*, Special Issue, Vol. 6, No.2, (1998): 3.

<sup>75</sup> Abdulrahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” in *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2002), 50.

<sup>76</sup> Capitalism is based on the neoliberal ideology of production and distribution of goods of the free market economy in which production activities are privately owned. The exchange of commodities and services are floating free i.e. without any systematic injunction of the state. Privatization of personal and public domains often results in secluding private ownership, exploitation of human psyche and labour, as well as privileging profit over people’s needs. Historically, capitalism evolved in England in the 19<sup>th</sup> century, although formal modes of capitalism were known also in other regions before that time. It soon spread through Europe and beyond via mercantilism and colonial projects, which exploited natural resources and human force. Under capitalism, the means of production are privatized, including services, properties and industries. This assumingly free utilization and appropriation of property by owners plays into the discussion of production activities by acquiring profit and expanding monopoly over the working force. By capitalism, I generally refer to “a system of

toward the scientific theories of neoclassical economic positivism.<sup>77</sup> Such theories disregarded not only the scholarship but also the epistemic value of premodern Muslim scholars and their ideas on moral economic behaviour. This eventually led to the coupling of Islamic economics and finances with a mainstream economic framework, which was only a lip-service to *Sharī'a*'s legal impediments. In constructing an economic system, contemporary Muslim economists relied on neoclassical theorems as well as religious scriptures. The inner structure of Islamic economics, despite its distinctly religious and spiritual characteristics, rests upon the neoclassical economic paradigm and its tainted views on the universe through preconceived economic terms, concepts and methodology. And since economic methodology differs from legal philosophy, Muslim economists faced a second methodological stalemate. Given the neoclassical economic system on one hand and *fiqh* methodology with which Muslim economists operated, on the other, the Islamic financial sector was devised with Western economic conceptualization and policy.<sup>78</sup> Further, since there is no real-time existing Islamic economy, the data Muslim economists established indicates a methodological synthesis as well as epistemological discordances. These inherently asymmetrical and ambiguous classifications of Islamic economics in particular reflect the narrative of an Islamic economic science that was born out of the abovementioned two-fold contestation. By doing so, Muslim economists, willingly or unwillingly, justified the religious teaching with a mainstream economic narrative. Despite its distinct characteristics, contemporary Islamic economics is embedded into the global politico-economic amalgam and hence functions within this paradigm, unlike classical Islamic scholarship, which views *Sharī'a* primarily as a moral category that intends to reform not just economic thought but also the moral self.

### 2.3. Classical Scholarship and the Moral Self

Even though the notion of the moral appears to be central to economic teachings in contemporary Islamic economics, the concept as such is in contemporary writings and deliberations rarely used as a categorical imperative in line with premodern conceptions of the Islamic worldview.<sup>79</sup> Making Islamic economic science compatible with mainstream economics is a feasible attempt, yet a futile venture for two reasons. First, modern economic science operates within a different epistemic field in comparison to the classical economic

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economic life made distinctive by its combination of three spheres – the imaginative, the productive and the institutional.” Charles Tripp, *Islam and the Moral Economy*, 3.

<sup>77</sup> See John Maynard Keynes, *The General Theory of Employment, Interest and Money, The Collected Writings of John Maynard Keynes*, Vol. VII. (Cambridge: Cambridge University Press, 2013). See also Milton Friedman's notion of usefulness and the ideology of the so-called Chicago positivism. Milton Friedman, “The Methodology of Positive Economics,” in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), 3-43.

<sup>78</sup> Waleed Addas, *Methodology of Economics: Secular vs. Islamic*, 97.

<sup>79</sup> See e.g. the writings of Choudhury, Naqvi, Siddiqi, Chapra in Chapter Two of the thesis.

thought in Islamic tradition. Merging two epistemic systems would hence presuppose that the Islamic notions of *‘ilm*, *akhlāq*, *māl*, and other core concepts, have to be curtailed of their epistemic values. Second, in light of scientific empiricism, the value of moral cosmology of *Sharī‘a* (or *mystical Shar‘ism*) as a total perception of historic economic-spiritual development in Islamic tradition, has been casted as unscientific.

Every economic doctrine rests upon a certain philosophical system, and the same is true for Islamic economics. Islam has never stifled human beings from engaging in economic activities;<sup>80</sup> on the contrary, it has encouraged the purchases of what is regarded as “licit” commodities. In the Islamic tradition, economic thought, which was never parted from the overall moral predicaments, shapes the very nature of the human conduct through a worldview.<sup>81</sup> This thesis will show that viewing economic teachings as an all-embracing moral cosmology or mystical *Shari‘sm* is not only more justified from a historical perspective, but also will do more justice to the central themes of economic thought in Islam as presented by aforementioned modern thinkers. *Sharī‘a* as one of the central paradigms<sup>82</sup> within Islamic thought was never parted from the moral fiber in the premodern times. Since moral philosophy predated political economy, which was also largely influenced by classical Muslim scholars, and since contemporary Muslim scholars rarely refer to their classical counterparts, studying classical Islamic scholarship on economic thought is in this context inevitable. Classical economic philosophy in Islam displays a vast array of seemingly legal content with an overarching moral character, wherein excursions to theological, economic, and metaphysical realms were intimately related. Many classical Muslim scholars operated within the legal, but also broader theological and Sufi context, inducing concepts such as *‘adl*, *maṣlaḥa*, *iḥsān*, *faqr*, *zuhd*, *tazkiyya* and so forth, which are vital in reconstructing the epistemology of the subject, for their deliberations did not depart from the moral understanding of the cosmos. In doing so, one has to go beyond the legal spectrum of *Sharī‘a*, since classical scholars expounded their theories not only as jurists but also as theologians and Sufis.<sup>83</sup> Although there is no economics in Islam *per se*, the term that was used historically referred to household management (*‘ilm tadbīr al-manzil*),<sup>84</sup> and ethical teachings, which Muslim scholars deducted from the Islamic religious scripture, have played an immense role not only in economic thought but in establishing ethical categories in Islam. Obtaining

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<sup>80</sup> Sadeq, “Al-Ghazalijevi pogledi na ekonomske probleme i neka etičko-pravna pitanja značajna za ekonomsko ponašanje,” in Sadeq Abdul-Hasan et al, *Pregled islamske ekonomske misli* (Sarajevo: El-Kalem, 1996), 148.

<sup>81</sup> Sadeq Abdul-Hasan et al., *Pregled islamske ekonomske misli*, 12.

<sup>82</sup> See Wael Hallaq, *The Impossible State*, 10.

<sup>83</sup> See Chapter Three, and the enlisted works of e.g. al-Shaybānī, al-Ghazālī, al-Dullāji, Abī al-Dunjā, Ibn al-Qayyim, etc.

<sup>84</sup> Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis, 11-905 A.H./632-1500 A.D.* (Jeddah: Islamic Economics Research Centre, King Abdulaziz University, 2004), 15.

material gains can be in Islamic tradition regarded as tantamount to defending the faith.<sup>85</sup> As it will be indicated in the following chapters, one of the differences between modern and classical Islamic scholarship is that the classical viewed material gains within the scope of the Hereafter and thus as part of the moral worldview; contrastingly, the modern scholarship approaches economic ideas primarily from a technical and legal-financial viewpoint.

Economic issues in Islamic tradition cannot be resolved only in mathematical terms, for they are sociological, philosophical, spiritual, and above all, moral in nature. What is presented as economic solution to modern problems are, in actuality, technical solutions to drawbacks that are profoundly more complex and as such inextricably related to the very composition of knowledge, which brings us back to the debate on morality and science. As it will be discussed in Chapters Three, Four and Five, classical Islamic scholarship and the sciences of nature<sup>86</sup> provide a total refutation of the quality to quantity reduction. Based on the abovementioned extrapolations of the premodern economic teachings and modern Islamic economics, it is necessary to approach the subject by linking various fields of knowledge such as theology, philosophy, *taṣawwuf*, and jurisprudence with moral conduct, in order to attain epistemic value of economic teachings in Islamic tradition.

### 3. Research Question

Based on the abovementioned observations, the main question that this research intends to answer is “what are Islamic teachings of contemporary Islamic economics.” This question is admittedly a broad one, and will therefore be answered by means of proposing a set of sub-questions that extend to premodern and modern periods in Islamic tradition.<sup>87</sup> Corresponding questions that are integral to the research are: “How did the positivist logic of natural and social sciences impact the development of contemporary Islamic economic theories;” “How does the revivalist period and the emergence of the modern nation-state play into the making of modern Islamic economic project;” “What are the structural implications of the Islamization of knowledge process on Islamic economics;” “How did the contemporary Islamic economic project form, and what is its epistemology;” “Is there a legally or

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<sup>85</sup> Taha J. al-Alwani and Waleed El-Ansary, “Linking Ethics and Economics,” in *Islamic Finance: Islamic Finance into the 21st Century: Proceedings of the Second Harvard University Forum on Islamic Finance* (Cambridge, Massachusetts: Harvard University, 1999), 112.

<sup>86</sup> “... without Islamic metaphysics and sciences of nature, there is no such thing as Islamic economics...” Waleed El-Ansary, “The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory,” *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 143-175, 145.

<sup>87</sup> Throughout this thesis, I refer to the premodern period in Islam as between 7<sup>th</sup> and 17<sup>th</sup> centuries, and modern period as after the 18<sup>th</sup> century. For more detail, see Wael Hallaq, *Sharī‘a*, part one and three. Moreover, I use “classical,” “premodern,” and/or “traditional scholars” interchangeably.

theologically stipulated study of economic teachings in Islam and how related is it to the notion of morality and justice;” “What is the role of *Sharī‘a* (and its relation to *maṣlaḥa*) in establishing theories of Islamic economics and how are they perceived by contemporary Muslim scholars in comparison to their medieval counterparts;” “What are the specifics of economic reasoning in Islamic tradition, and how intertwined is it with Islamic jurisprudence or *usūl al-fiqh*, the objectives of Islamic law or *maqāṣid al-Sharī‘a*, and other fields of knowledge, such as *kalām* and *taṣawwuf*,” and “What is the role of Islamic moral premise in shaping the understanding of the economic tradition in Islam.”

#### 4. Methodology and Theoretical Basis of the Dissertation

The overall approach of this thesis is historical-critical and inductive. It is analytical in the sense that it inquires what the contemporary authors have stated on Islamic economics, how the subject emerged, and what social, economic, political, and intellectual factors contributed to its fruition. Secondly, it is critical and dialectical in that it seeks to understand the alteration of the knowledge processes of economic paradigm in Islamic tradition before and after the colonial period. This approach will portray the genealogy, sociology of knowledge, and the nature of the discipline. Moreover, it will delineate ideological contestations and theoretical shortcomings of the field due to the paradigm shift that occurred in the 19<sup>th</sup> century with colonialism, and flourished in the 20<sup>th</sup> century with revivalism, political Islam, and Islamization of knowledge.

To explore the epistemological and hermeneutical approaches to economic teachings in Islamic tradition, I propose a methodology that sets forth to deconstruct and analyze the already existing theories on Islamic economics. This subsequently entails the deconstruction of the established superiority of *fiqh*-based economic literature.

Each chapter has its own theoretical consideration as it is indicated below. The five aspects of the thesis mentioned above do not form separate chapters and are sometimes analyzed jointly.

In the first chapter, I provide a broad overview of the colonial period, and analyze Muslim revivalists and the Islamization of knowledge process in relation to the development of the discipline of Islamic economics. In spite of different trends of revivalists and their ideas pertaining to socioeconomic configuration of the Middle East and South Asia, by addressing the role of socialism, capitalism, and the state – whose seminal contributions to the political, legal and theological reverberations of faith provided material for the next generation of scholars who coined the subject of Islamic economics – the revivalist scholars did not discuss Islamic economics as such. The revivalists of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries were

religious scholars who, according to Ahmed Khan, are divided into two groups: “the modernists” (e.g. Jamāl al-Dīn al-Afghānī, Muḥammad ‘Abduh, Rashīd Riḍā, Muhammad Iqbal, Muhammad Asad, Fazlur Rahman) and the “neo-revivalists” or “literalists” (Ḥasan al-Bannā, Syed Quṭb, Abū al-A‘lā Mawdūdī, Muḥammad Bāqir al-Ṣadr, Nejatullah Siddiq, Khurshid Ahmad, Umer Chapra, Muḥammad Anas Zarqa, Monzer Kahf, etc.). The writings on Islamic economics was, however, pioneered by Muhammad Hamidullah and other South Asian scholars,<sup>88</sup> and advanced by Abū al-A‘lā Mawdūdī and Ahmad Khurshid. In this chapter, I refer to primary literature of Muslim revivalists in Arabic, original sources of early Muslim religious scholars and economists, and secondary sources addressing the historical, political, and cultural background of the colonial period in the Middle East and South (East) Asia.

Early 20<sup>th</sup> century literature on economics in Islam contributed to the establishment of Islamic economics as a gradually self-sufficient discipline, which was attributed to Mawdūdī’s text *The Economic Problem of Man and its Islamic Solution*. This is not a coincidence and goes hand-in-hand with the sociopolitical, national, and religious development in the 20<sup>th</sup> century South Asia. The Islamization of knowledge process, which emerged in the 1970s, encompasses all areas and fields of human activities under Islamic banner, and was enforced as an opposition to Western theories of knowledge, including the study of economics. The proponents<sup>89</sup> of the Islamization process argue that a multi-faceted approach to the field of Islamic studies in general, and Islamic economics in particular, entails Western theoretical considerations as well as relying on the scriptural sources of Islamic tradition. They define the Islamization of knowledge as a process of coupling the concepts and modernization-induced ideas of the West and aligning them with Islamic legal and theologically-based arguments. On the other hand, the opponents<sup>90</sup> to this approach provide an insightful critique to the subject matter of Islamic economics through a severalfold perspective: the Islamization of Islamic economics serves its own narrative within the realm of Islam by “Islamizing” a human field of study; it develops a stock of knowledge simply to oppose an already established economic system; and it does not serve the social needs of society, by promoting economic justice, which appears vital in addressing economic thought in Islam. The self-fulfilling narrative of Islamic economics presents a temporary solution as well as a stalemate.

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<sup>88</sup> Muhammad Hamidullah, “Islam’s Solution to the Basic Economic Problems – the Position of Labour,” *Islamic Culture*, Hyderabad (Deccan), Vol. 10, No. 2 (1936): 213-33; idem, “Haidarabad’s contribution to Islamic Economic thought and practice,” *Die Welt des Islams*, 4 (1948, 1955): 73-78.

<sup>89</sup> E.g. Isma’il al-Faruqi, Muhammad Naquib al-Attas, Umer Chapra, Muhammad Choudhury, Nejatullah Siddiqi, etc. For details and the main proponents of the Islamization process, see Chapter One.

<sup>90</sup> E.g. the writings of Thomas Philipp, Timur Kuran, Vali Nasr, etc. For details on the critique of the Islamization process and economics, see Chapter Four.



The aim of this chapter is to present a two-fold analysis of Islamic economic thinking through this process. First, that Islamic economics emerged as a distinct field of study as a result of broader historical, socioeconomic, political, and sociological developments, as well as the Islamists' reappropriations of those paradigms. Second, that since its development it has rested upon dual conception – its own theological sources and Western mainstream politico-economic norms.

The second chapter re-examines the field of contemporary Islamic economics on the basis of the selection of the corpus of contemporary scholars and Muslim economists' writings by applying the following structure. The original writings of Muslim economists appear primarily in English – which is the language of Islamic economics – in addition to sources in Arabic, Urdu, and other languages. A selection of highly acclaimed contemporary Muslim economists e.g. Haider Naqvi, Muhammad Akram Khan, Muhammad F. Khan, Alam Choudhury, Umer Chapra, Nejatullah Sidiqqi, et. al and their writings on economics will be analyzed on the basis of the key terms, methodology and epistemology they used that espouses both a continuation of Western neoclassical economics and Islamic theological tenants. This selection is based on their authoritative writings, the frequency of references other scholars have made on their texts and the penetrating theories and ideas they have provided for the overall study of economics in Islam. In addition, this chapter consults secondary literature on contemporary Islamic economics, ethics, and culture<sup>91</sup> in order to explain the uneven development of the discipline. Contemporary authors often refer to the concepts of economic justice, law, and ethics albeit in diverse ways and from different platforms. The panoply of ideas to which these economists refer expresses an array of economic, ethical, and/or legal objectives, and the manner and construction of these concepts are of primary concern and ultimately lead to my heavy critique of them in the penultimate chapter.

The third chapter, which forms the gist of the thesis, analyzes primary textual sources of moral, metaphysical, and spiritual aspects of economic teachings in Islamic tradition and their relation to *Sharī'a*. The first part introduces the study of *Sharī'a* as a moral category and not only as a legal device as it is understood by contemporary Muslim economists. Since legal percept and commercial laws are only one part of the overall moral-economic conduct, the first part of this chapter will demonstrate that, although there is a strong correlation between Islamic law and economics, this correlation is based on the legal reading of economic conduct and is thus predominately associated only with legal stipulations, inheritance law, and contract-based rules. Such reading presupposes legal-technical reality of economic postulates and does not address moral philosophy of economics and epistemological axioms that would

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<sup>91</sup> E.g. S.M. Ghazanfar, *Medieval Islamic Thought: Filling the "great gap" in European Economics* (London: Routledge, 2003); Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis, 11-905 A.H./632-1500 A.D.* (Jeddah: Islamic Economics Research Centre, King Abdulaziz University, 2004).

explain the overall subject of economic behavior in Islamic tradition. Despite the importance of legal and *fiqh*-based material, economic thought in Islam stretches beyond the juristic framework, hence questioning the legal establishment is essential for an overall study of the subject. Reading classical Muslim scholars who tackled economic issues reveals that despite the strong connection to *Sharī'a*, economic conduct was often perceived as a natural extension of moral, theological and Sufi teachings, and thus encapsulated in the Qur'anic ethos. Many questions on the historical relation between modern Islamic legal scholarship economic theories (including those pertaining to *maqāṣid al-Sharī'a*, *maṣlaḥa*, *istiṣlāḥ* and *istiḥsān*), in addition to the existing commercial activities in Muslim societies, have until today remained unanswered. Since economic activities surpass *fiqh* rules, I propose to reexamine the correlation between the field of law and the subject of economics in Islam, encompassing the concept of *Sharī'a* as moral cosmology.

Central to this chapter is, however, the terminological and theoretical interpretation of the writings of selected classical Muslim scholars, focusing on textual analysis of the key concepts (e.g. acquisition of wealth or *kasb*, renunciation of the world or *zuhd*, wealth/money or *māl*, justice or *ʿadl*, *maṣlaḥa* or common good, *fard kifāya* or connective obligations, *ḥisba* or Islamic institution performing business accountability, etc.), by inquiring upon the context in which those terms were invoked in close connection to moral economic behavior. This will lead me to delve into the economic and intellectual history and the writings of Muslim scholars from the 8<sup>th</sup> to 15<sup>th</sup> centuries, since many ideas on economic activities and moral conduct stem from this period. Since the premodern Muslim scholars expounded their economic, philosophical, and Sufi ideas in proximity to the conception of *Sharī'a* as an overall ethical term, the moral self and the metaphysical qualities of economic behavior appear to be of high relevance in the writings of classical authors. Among others, authors that will be studied are Abū Yūsuf, al-Shaybānī, Ibn Abī al-Dunyā, al-Ghazālī, al-Muḥāsibī, al-Dimashqī, Ibn Taymiyya, Ibn Khaldūn, Ibn Qayyim al-Jawziyya, and al-Maqrīzī, and others. These authors made seminal contributions to the subject of moral economic thought in Islam. As it will be indicated, despite the fact that some authors can be regarded primarily as jurists and others as Sufis, they elucidated an infused moral-theological- philosophical-legal preeminence of economic ideas, encapsulated in terms such as *kasb*, *zuhd*, and *maṣlaḥa*. This multifaceted discourse encapsulated man's behavior and his moral and spiritual predispositions.

The fourth chapter provides a conceptual critique of the existing economic theories of Islamic economics, looking at the works of Timur Kuran, Muhammad Akram Khan, Seyyed Vali Reza Nasr, Syed Farid Alatas, and other scholars. It either views such economic theories as subordinated to the positivist social sciences, neoliberal economic paradigm, a subsystem of Islamic law, or in light of the Islamization process and its methodological reverberations.

Drawing upon the findings in Chapter Three, expounding that economic matters were in the premodern period not discussed only in legal or *fiqh* terms – which would historically fall under the category of *mu'āmalāt* – but as moral and spiritual categories, this chapter will interrogate the epistemological and methodological shortcomings of contemporary Islamic economics.

The methodological deadlock of modern Islamic economics is the result of over-compartmentalization and scientific differentiations of concepts, categories, and disciplines of knowledge that occurred in Western sciences, and have had ramifications for the 20<sup>th</sup> century Muslim intellectual makeup. Accordingly, separate branches of knowledge such as Islamic law, Islamic politics, Islamic sociology, Islamic economics, etc. were formed.<sup>92</sup> Theoretical arguments asserted by some of the contemporary Islamic scholars are despite their Islamic references almost exclusively interwoven into the social, political, and epistemological imaginary of 19<sup>th</sup> century Europe and its division of sciences. They are thus embedded in the fabric of neoclassical economic philosophy.<sup>93</sup> This chapter will look into contemporary Western and Muslim scholars who discuss the concepts of knowledge, episteme, Islamic reason, secularization, and economics. Even though contemporary Muslim scholars rely on fundamental sources of Islam, the classical thinkers merged legal rulings with metaphysics of *Sharī'a*'s moral order, and, unlike their contemporary counterparts, did not differentiate disciplines that would devoid them of moral cosmology, indicating a very different (and distinct) epistemological foundations of moral economics.

The fifth chapter introduces the theory of pluralistic epistemology of economic teachings in Islamic tradition, and attempts to answer the question, based on the analysis of previous chapters, “should a reconstruction of economic teachings in Islamic tradition be possible, and what kind of epistemology and reading does it presuppose?” By investigating the discourse of polyvalent economic theories in Islam, which aims to establish a more equitable and just society, this chapter will determine the discourse and particularities of an economic model that is based on a moral cosmology. Scholars who pinpointed that Islamic culture can be realized through a multitude of paradigms and multifaceted approaches in studying the historical discourse of Islam<sup>94</sup> will be analyzed. The moral dimensions of *Sharī'a* introduce a human understanding that permeates cosmological, social, and economic

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<sup>92</sup> See some of the literature from the International Institute for Islamic Thought (IIIT), e.g.: Isma'il Raji Al-Faruqi, *The Essence of Islamic Civilization* (Herndon, VA: IIIT, 2013); Ṭaha Jābir al-'Alwānī, *Issues in Contemporary Islamic Thought* (London, Washington: IIIT, 2005); Isma'il Raji al-Faruqi, *Islamization of Knowledge* (Herndon, VA: IIIT, 1982). On the critique of positivist methodology from an Islamization of knowledge point of view, see Ṭaha Jābir al-'Alwānī, *Islamic Thought: An Approach to Reform* (Herndon, VA: IIIT, 2006).

<sup>93</sup> Chapter Two addresses the plurality of voices among Muslim economists. Nonetheless, the majority of Muslim economists conceive the discipline of Islamic economics as a science that combines orthodox economic and Islamic ethical postulates.

<sup>94</sup> See e.g. the writings of Bassam Tibi, Armando Salvatore, Thomas Bauer, Shahab Ahmed.

processes. The study of economic tradition in Islam is possible only through the Islamic terms, whereby *‘ilm* as knowledge or episteme, and *‘amal* as action or deed, form the core of such epistemology. Modern (Islamic) economics does not only lack an understanding of economic justice, which is according to an Islamic view achieved through Islamic social insurance and social balance, but it rests upon Western political dogmas and economic processes, embedded in the modern state apparatus, which presupposes a particular social history. While acknowledging the shortcomings of the contemporary Islamic economic subject, it is crucial to examine the genealogy of the subject by deconstructing its presumed narrative, and to mediate mechanisms and terms that would give accommodate the postulates from the classical Islamic tradition. Bridging the historical gap between medieval and modern economic thought would give incentives on how to build a more equitable and socially progressive society that rests on the economic justice and philosophy of common good. Hence, I propose a new reading of and approach to economic thought in Islamic tradition, which does not eviscerate the intrinsic value of the moral predicaments that were swept away with the onslaught of modernity.<sup>95</sup>

## 5. Scholarly Relevance of Premodern Economic Teachings and the Critique of Contemporary Islamic Economics

This thesis does not contain an *a priori* position for or against contemporary Islamic economic thought, but aims to discern the value of the matter at hand. It also does not have a defined stance against the intellectual field of the Islamization of knowledge process, but due to ideological developments of Islamic economics, which is to a large extent entangled with the particular sociohistorical and epistemological tradition. This thesis seeks to interrogate the field of Islamic economics from the emerging discourse of economics, which is rooted in the developments in natural and social sciences in the 18<sup>th</sup> century. As such, this thesis touches upon the sociology of knowledge of colonial developments and its epistemological ruptures in relation to Islamic economics, as well as the classical economic tradition in Islam, for the theories of contemporary Islamic economics neither invoke the premodern axiological assumptions of classical Islamic ideas on economics nor the economic reality on the ground in contemporary societies.

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<sup>95</sup> With *modernity*, I refer to “the concrete facts of modern life” including industrial development, technological revolution, as well as the changes that occurred in material, cultural, communicational and social life. On the other hand, *modernism* (or modernist discourse) depicts the perception and nature of conduct that arose in early modern Europe as a result of modernity and its predicaments. See e.g. Bjørn Olav Utvik, *Islamist Economics in Egypt*, 11.

The necessity for such research stems from the dearth of contemporary scholarly investigation in the field of moral economics as a metaphysical axiom, the historical underrepresentation of Muslim economic thought, and from the claim that Islamic economics has to be scientific and objective in order to be considered mature enough and hence in concordance with the modern Western scientific apparatus. In this project, first, I expect to provide a clearer and synthetic picture of moral cosmology of economic thinking in classical Islam. Second, I aim to highlight the alteration in methodology and epistemology of Islamic economics as conceived by Muslim revivalists, Islamists, and contemporary Muslim economists in how they conceptualized an Islamic state, society, and knowledge, in comparison to their classical predecessors. Examining the modern perceptions of Islamic economics, first, and the classical terminologies and definitions of economic postulates that are closely related to spiritual and moral worldview, second, will allow me to affirm the methodological, epistemological, and axiological cleavages between classical Muslim scholars and contemporary Muslim economists. This will further lead me to inquire upon the specifics of Islamic societal values, through which I will present a new hermeneutical approach. Nonetheless, since the questions that will be raised during this thesis are far more valuable than the answers themselves, I do not claim that I will provide the only solution to the problematic at stake. Hence, one of the aims of the thesis is to bring economic tradition of Islam on the table and back into the modern discourse on economics, politics, the role of the state, and ethics.

Economic thinking in Islamic tradition does not benefit Muslims alone, and it ought not to be exclusively run by and theorized upon by only Muslims. If the true value of future economic thought in Islam lies at the heart of wisdom, the sciences of nature, and the moral self, it can have the potential to address many of the world's economic (and other) dilemmas by extrapolating the ideas of classical Islamic scholarship on economic behaviour.

## Chapter One:

### **The Force of Revivalism and Islamization – Their Impact on Knowledge, Politics, and Islamic Economics**

*After this basic constitutional problem of sovereignty, the only problem that remains to be answered is as to who enjoys the political sovereignty in this set up? Unhesitatingly the reply would be that political sovereignty too, as a matter of fact, belongs to God and God alone. Whatever human agency is constituted to enforce the political system of Islam in a state, will not possess real sovereignty in the legal and political sense of the term, because not only does it not possess de jure sovereignty, but also that its powers are limited and circumscribed by the supreme law, which it can neither alter nor interfere with. The true position of this agency [human agency to enforce that political system of the Islamic state] has been described by the Qur'an itself. The term used by the Qur'an for this agency is 'khalifa,' which means that such agency is not sovereign in itself but is the vicegerent of the de jure and de facto sovereign, viz, God Almighty.*

Mawdūdī, *First Principles of the Islamic State*, 24

*... There are limits to the meaning of things in the way they are meant to be known, and their proper are profoundly bound up with the limits of their significance. True knowledge is then knowledge that recognizes the limit of truth in its every object.*

Syed Muhammad Naquib al-Attas, *Prolegomena to the Metaphysics of Islam*, 15

*Daß es sich beim Islamismus unserer Tage um keine restaurative, geschweige denn traditionalistische Bewegung handelt, ist in der Fachwissenschaft unumstritten. Vielmehr ist der Islamismus ein Phänomen der Modernisierung des Islams, der sich selbst in seinen epistemologischen Grundlagen nicht auf den klassischen Islam (der nach Ansicht der Islamisten ein verfälschter, dekadenter Islam war) berufen kann und will, sondern auf epistemologischen Grundlagen der Aufklärung und der Moderne.*

Thomas Bauer, *Die Kultur der Ambiguität, Eine andere geschichte des Islams*, 387

## 1. The Socioeconomic Paradigm against the Backdrop of a Colonial Past

This chapter is organized around two conspicuous phenomena that impacted the unfolding of Islamic economics: the Muslim revivalism in late 19<sup>th</sup> and early 20<sup>th</sup> centuries, with a focus on Mawdūdī as the ideologue of Islamic state and Islamic vision of society, and the Islamization of knowledge process that rendered contemporary Islamic economics (and finance) as an Islamic discipline within the scientific and disciplinary parameters of the Western economic thinking. This chapter provides a historical survey of selected revivalist writers, who at the turn of the 20<sup>th</sup> century grappled not just with the weakening of their societies in the face of colonial strategies, but also with formulating certain principles around achieving a moral Islam. Their ideas, embedded in theological, political, social, and legal discourses, were also applicable for the advancement of economic-related topics that were picked up by Islamists and Muslims economists in the 20<sup>th</sup> century.

The emergence of Islamic economics is entangled in the reaction to political repercussions of colonialism, the intricate correlation of authentic Islamic identity, and the conception of the modern state apparatus. Yet it is beyond the scope of this chapter to discuss in great detail the historical development of the colonial period in the Middle East and South Asia, in relation to the regional rulers and their interaction with Western colonial powers. However, the ramifications of this colonial period set the groundwork for much of the sociopolitical turmoil experienced in Muslim countries, thus it is crucial to consider their impact when configuring Muslim revivalists' outlook on socioeconomic and political factors of the time, and understanding of modern Muslim economists' ideas of Islamic economics. In the first section of this chapter, I analyze Muslim revivalists and their ideas, positions, and reactions to the political, social, and legal changes sweeping through the region, focusing mainly on their notions of social justice, state, and morality. Discussing Islamism as a political force<sup>1</sup> is entangled with later Muslim religious scholars and economists who in the name of Islamization of knowledge formed the very discourse (and the discipline) of Islamic economics. The weakening of the Ottoman Empire (1299-1922), given French and British financial and political incursions into its territories, was compounded by individual resistance and nationalist movements emerging in North Africa,

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<sup>1</sup> I refer to "Islamism" as a political ideology, which is distinguishable from Islam as a normative system. See Bassam Tibi, "The Renewed Role of Islam in the Political and Social Development of the Middle East," *The Middle East Journal*, Vol. 37 (1983): 3-13; idem, *Der Islam und das Problem der kulturellen Bewältigung des sozialen Wandels* (Frankfurt: Suhrkamp, 1985).

Middle East, and South Asia. The Ottoman dynasty's dismantling of its Islamic legal and political systems in the Middle East and North Africa laid fertile ground for the expansion of Islamism in the early 20<sup>th</sup> century.<sup>2</sup> Despite its politicized ideas, Islamism was, in essence, a project about social justice and moral Islam.<sup>3</sup> In the same vein, it was also regarded as a sociopolitical reaction to the interference and usurpation of chiefly British colonial rule. State ideologues, such as Mawdūdī in Pakistan, reinforced this political approach, as well as other Muslim scholars who wrote on the topic of Islamic economics.

Starting with Pakistan in 1947, several countries in the modern world have identified themselves as “Islamic states,” including Afghanistan, Iran, Saudi Arabia, Mauritania, Malaysia, and North African countries, and affirmed that Islam is their official religion.<sup>4</sup> The attempts in Iran, Pakistan, Malaysia, and other Muslim countries to Islamize societies and state apparatus, to implement *Sharī'a* legislation, and to establish Islamic economic science, are at most pursuits to reiterate a lost (Islamic) tradition and not to challenge the current *modus operandi* of the global politico-economic ideology. As will be evident in the course of this chapter, Islamists' reinforcement of legal monism and economic ideology within nation-states exposes epistemological and historical inconsistencies of the two epistemic systems – the secular nation-state and the vision of an Islamic religious state.<sup>5</sup>

Given the underlying correlations between the late 19<sup>th</sup> and early 20<sup>th</sup> centuries' political and socioeconomic developments in the shadow of colonial domination of Muslim countries (in the Middle East and South Asia), this chapter discusses the sociology of knowledge of Islamic economics. I explore Islamic economics – as an indigenous intellectual field – and its adaptation to global economic parameters in relation to identity politics of Muslim societies, by analyzing Muslim scholars' responses to colonialism, state formation, economic systems of socialism and capitalism, and Islamization of (economic) knowledge process.

The second part of this chapter offers an epistemological and historical analysis of the Islamization process and on the ideological effects it generated for Islamic sciences, in general,

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<sup>2</sup> For Bassam Tibi, formulation of re-Islamization or re-politicization of Islam arrived due to structural crisis and the appeal of Islam (and Islamic state) as a solution for sociopolitical problems in Muslim societies. According to Thomas Bauer, re-Islamization of Islam emerged as a reaction to modernity. Bassam Tibi, *Die Krise des modernen Islams: Eine vorindustrielle Kultur im wissenschaftlich-technischen Zeitalter* (Frankfurt: Suhrkamp, 1991 [first edition 1981]), 62; Thomas Bauer, *Die Kultur der Ambiguität, Eine andere geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011); Armando Salvatore, *Islam and the Political Discourse of Modernity* (UK: Ithaca Press, 1997), 173.

<sup>3</sup> Wael Hallaq, *The Impossible State*, 12.

<sup>4</sup> The Constitution of the Islamic Republic of Pakistan, 1973, Senate of Pakistan, accessed September 17, 2017, <http://www.senate.gov.pk/uploads/documents/3.%20Special%20Publication%20to%20mark%20Constitution%20Day.pdf>.

<sup>5</sup> Wael Hallaq, *Sharī'a* (Cambridge: Cambridge University Press, 2009), 360.



and for Islamic economics, in particular. The authors analyzed in the first chapter of this work often wrote uncritically about the moral predicaments of economics in Islam and were impervious to the liberal paradigm, accepting the agency of an Islamic state. The Islamization process in the second half of the 20<sup>th</sup> century was neither conceived nor developed in a vacuum; it was indeed affected by sociopolitical conditions of the postcolonial states, especially in Pakistan and Malaysia, and their state-run political agendas of Islamizing their economies, which in turn, shaped the very vision of Islamic economics via three distinct yet interconnected spheres. The emergence of nation-states is hence interlinked with the responses from the Muslim revivalist movement to socioeconomic conditions in the Middle East and South Asia. Furthermore, the efforts to construct a modern Islamic identity and society based on theological principles of *tawhīd*, *umma*, *‘adl*, etc., provided a theological frame for implementing the discipline of Islamic economics within those states. It is worth noting, too, that the theorization of contemporary Islamic economics (and finance as its offshoot) as a distinct and unique discipline, has been articulated within the neoclassical economic paradigm and global financial markets.

Between the Tanzimat reform period (1839-1876)<sup>6</sup> and 1923, a year marking the official dissolution of the Ottoman Empire, Western-inspired legal codes and penal laws were already being integrated into Ottoman state law or *qanūn*, in an attempt to modernize and force fundamental changes of the empire as it was being restructured into a modern nation-state. This undoubtedly led to irreversible repercussions for the sociopolitical and economic conditions in Ottoman territory,<sup>7</sup> and in the greater Middle East. Not only did the transformation face a backlash on the Islamic legal scholars’ input in providing legislation and authoritative teaching, but it also penetrated into the educational institutions that in the past played a vital role in social life.<sup>8</sup> As a response to that abrupt alternation of the local social systems and the negation of cultural ambiguity of Islamic traditional culture,<sup>9</sup> many religious Muslim scholars pledged to re-establish Islam’s “authentic” vision of the law and social life as the only solution to modernity, since they contested the positivist economic methodologies.<sup>10</sup> Consequently, and as an extension of the re-appropriation of that “authentic” Islam from the colonial period, a discourse nowadays known as “Islamization” emerged, which in part owes its existence to the preceding revivalists

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<sup>6</sup> See Roderic H. Davison, *Reform in the Ottoman Empire, 1856-1876* (Princeton: Princeton University Press, 1963).

<sup>7</sup> See e.g. Wael Hallaq, *Sharī‘a*, 2, 3, 4, 6, 7, 10 ff; Iza Hussin, *The Politics of Islamic law* (Chicago: Chicago University Press, 2016), 12, 20; Armando Salvatore, *Islam and the Political Discourse of Modernity*, 54.

<sup>8</sup> See e.g. Wael Hallaq, *Sharī‘a*, 357-370.

<sup>9</sup> Thomas Bauer, *Die Kultur der Ambiguität*, 14, 16, 18.

<sup>10</sup> See e.g. Maḥmūd Muḥammad Nūr, *Al-Iqtisād al-Islāmi* (Cairo, 1978).

and the intellectual makeup they generated.<sup>11</sup> The following context of the state-religion relation is vital to the subject of Islamic economics and economics as a discipline.

At least three movements emerged during the 19<sup>th</sup> century in the Middle East and South Asia that aimed to preserve traditional Islamic knowledge, secularizing Muslim societies and apparatus – or, strove to reconcile these two trends. While the traditional movement called for a return to the scriptural teachings of Islam, the second movement sought to adapt to the secularization process. A third movement advocated the conjuncture of Islamic sources and Western culture and knowledge.<sup>12</sup> For this analogous discussion of Islamization of knowledge and Islamic economics, the tertiary movement appears most relevant.

Efforts to develop an authentic Islamic vision of socioeconomic life stem from the revivalist movements at the turn of the 20<sup>th</sup> century, yet Islamic economic literature, which would form the discipline, emerged in the 20<sup>th</sup> century<sup>13</sup> with the writings of Hifzur Rahman Seoharwi, Manazir Ahsan Gilani, Shaikh Mahmud Ahmad, Muhammad Hamidullah, and especially Mawdūdī's book *The Economic Problem of Man and its Islamic Solution*<sup>14</sup> and Ahmed Khurshid, all of whom were to some extent influenced by the *nahḍa* scholars.<sup>15</sup> Still, it is only the Islamization of knowledge process, which commenced in the late 1970s with Isma'il al-Faruqī's and Muhammad Naquib al-Attas's philosophy of knowledge, that prompted the expansion and fruition of contemporary Islamic economics and banking as a structural field and educational discipline. Despite being perceived as a spiritual quest, the Islamization of knowledge was utilized as a possibility to decolonize and dewesternize epistemic perspectives, while suggesting authentic contributions to the field of knowledge as a response to the politico-economic issues in the Muslim-majority countries of the Middle East, South and Southeast Asia. It succeeded, however, only in part.

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<sup>11</sup> Thomas Bauer, *Die Kultur der Ambiguität*, 222-223.

<sup>12</sup> Rodney Wilson, *A Short History of Islamic Economics*, 315.

<sup>13</sup> See the works of the South Asian Muslim scholars presented in the following pages. See also Muhammad A. Khan, *What is Wrong with Islamic Economics?* (Cheltenham, UK, Northampton, US: Edward Elgar Publishing, 2013), xi.

<sup>14</sup> For Rodney Wilson and Timur Kuran, Mawdūdī is perceived as the pioneer of Islamic economics. See e.g. Timur Kuran, "Islamic Economics and the Islamic Subeconomy," *Journal of Economic Perspectives*, Vol. 9, No. 4 (1995): 156.

<sup>15</sup> As it will be evident in the following pages, in the 20<sup>th</sup> century the process of revivalism, often described as the "re-Islamization" as a creation of a new Islam as an ideology that has combined Islamic core beliefs with Western political and organizational structures, which culminated in the mergence of Western ideologies with the Islamic worldview, is presented as the only viable alternative to Western political ideologies. According to Bauer's theory of cultural ambiguity in Islam, all ideologies are intolerant toward ambiguity and multiplicity, including Islamism. "Im Laufe des 20. Jahrhunderts findet ein Prozeß statt, der oft fälschlich als "Re-Islamisierung" bezeichnet worden ist, in Wahrheit aber die Neuschaffung des Islams als seiner Ideologie ist, die die Strukturen westlicher Ideologien aufnimmt und nach dem Scheitern der westlichen Ideologien in der islamischen Welt als die einzige „eigene“ Alternative versanden wird." Thomas Bauer, *Die Kultur der Ambiguität*, 52.

Soon after the mid-twentieth century, various scholars attempted to justify the need for Islamic economics in light of a new economic system in order to oppose the structural and philosophical shortcomings of capitalism and socialism.<sup>16</sup> Even though there is a loose consensus among Muslim economists on which principles constitute the discipline of Islamic economics (see Chapter Two), the nature of the subject matter and epistemology of Islamic economics is far from determined.<sup>17</sup> Broadly speaking, four different groups of scholars write on the subject of Islamic economics.<sup>18</sup> The first group consists of academics who believe that Islamic economics present an alternative to the systems of capitalism and socialism. They favor alternating the existing economic model. The second group comprises scholars who believe that Islamic economics is a distinct approach, yet is not ready to present itself as a complete system. For the third group, there is no difference between Islamic and capitalist economics, since the system is based on rational principles that can be found in the Qur'an. The fourth group is critical toward an Islamic economic system, and it includes Timur Kuran, Seyyed Reza Vali Nasr, and others, who contend that Islamic economics is not a genuine answer to financial and economic postulates.<sup>19</sup>

## 2. Contextualizing Muslim revivalists' Understanding of Socialism, Capitalism, and Spirituality

The 19<sup>th</sup> century Muslim revivalists, who are briefly analyzed below, barely opened the debate about the sources of Islamic knowledge. Muhammad Akram Khan distinguishes two movements that supported the development of modern Islamic economics.<sup>20</sup> “The first ‘modernist movement’ resorted to *ijtihād* in reinterpreting the Qur'an and Sunna in light of the pressing socioeconomic needs of the time, while discerning *fiqh* rules from *Sharī'a* as an overall moral concept.”<sup>21</sup> Jamāl

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<sup>16</sup> See e.g., Abu A'la al-Mawdudi, *Capitalism, Socialism, and Islam* (Kuwait: Islamic Book Publishers, 1977).

<sup>17</sup> Iqbal and Muljawan 2007, 4 in Necati Aydin, “Redefining Islamic Economics as a New Economic Paradigm,” *Islamic Economic Studies*, Vol. 21, No. 1 (2013): 24.

<sup>18</sup> Necati Aydin, “Redefining Islamic Economics as a New Economic Paradigm,” 24.

<sup>19</sup> Similarly, Muhammad Akram Khan in his latest writings, critically assesses numerous authors on Islamic economics and even repositions his own stance on Islamic economics in relation to his previous research. See Muhammad A. Khan, *What is Wrong with Islamic Economics?*, 2013.

<sup>20</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, xi-xii.

<sup>21</sup> Sami Al-Daghistani, “Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought,” *International Journal of the Semiotics of Law*, 29 (2016): 395.

al-Dīn al-Afghānī,<sup>22</sup> Muḥammad ‘Abduh,<sup>23</sup> Rashīd Riḍā,<sup>24</sup> Muhammad Iqbal,<sup>25</sup> Fazlur Rahman,<sup>26</sup> and others form the modernist camp. The second group is comprised of scholars such as Ḥasan al-Bannā, Syed Quṭb,<sup>27</sup> Abū al-A‘lā Mawdūdī,<sup>28</sup> Muḥammad Bāqir al-Ṣadr,<sup>29</sup> Isma‘il al-Faruqī,<sup>30</sup> who upheld a more literal reading of the sources of Islam and implementing their ideas with limited application of *ijtihād* into the socioeconomic sphere (one could also include in this group Ahmad Mannan<sup>31</sup> and Ahmad Khurshid,<sup>32</sup> among others). Yet, this grouping can be also reshuffled according to the era in which those scholars produced their major works. For instance, Ḥasan al-Bannā, Syed Quṭb, Jamāl al-Dīn al-Afghānī, Muhammad ‘Abdu, Rashīd Riḍā, Ali Shari’ati, and Muhammad Iqbal can be considered as revivalists who did not directly address the subject of Islamic economics, but together with their interlocutors tackled the socioeconomic problems that were looming in the backdrop of the colonial struggle. Conversely, Abū al-A‘lā Mawdūdī, Ahmad Khurshid, Muhammad Abdul Mannan, Mahmud Taleqani, and Muḥammad Bāqir al-Ṣadr commenced and/or advanced the Islamization of economics.

Many Muslim revivalists applied distinct theories to and held very different views on the socioeconomic restructuring of Muslim societies, yet the majority of the revivalists in their deliberations referred to the notion of an Islamic vision for transforming 19<sup>th</sup> century Muslim societies, tackling concepts such as social justice, education, socialism, and nation-state. The loss of autonomy and the immediate political and economic dissection of societal structures in the Middle East, North Africa, and South (East) Asia by the European colonial powers, not only meant a transfer of administrative control over those societies, but also an emersion of those very

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<sup>22</sup> Jamāl al-Dīn al-Afghānī, *Al-A‘mal al-Kamilah*, ed. Muḥammad ‘Imārah (Cairo: Dār al-Kitāb al-‘Arabī li al-Tab‘ah wa al-Nahar, 1968).

<sup>23</sup> Muḥammad ‘Abduh, *The Theology of Unity*, trans. I. Musa’ad and K. Cragg (London: George Allen & Unwin, 1966).

<sup>24</sup> Rashīd Riḍā, *Al-Ribā wa al-Mu‘āmalāt fī al-Islām*, ed. Muhammad Bahjat al-Bitar (Beirut: Dār Ibn Zaidun, 1986).

<sup>25</sup> Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, electronic version, accessed March 12, 2017, [www.alhassanain.org/english](http://www.alhassanain.org/english).

<sup>26</sup> Fazlur Rahman, *Islam and Modernity* (Chicago: Chicago University Press, 1982).

<sup>27</sup> Sayyid Qutb, *Social Justice in Islam*, trans. John B. Hardie (Washington, D.C.: American Council of Learned Societies, 1953).

<sup>28</sup> Sayyid Abul A‘lā Mawdūdī, *First Principles of Islamic Economics* (Leicestershire: The Islamic Foundation, 2011); Sayyid Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution* (Lahore: Markazi Maktaba Jama‘at-e-Islami Pakistan, 1955).

<sup>29</sup> Al-Ṣadr, *Iqtisādunā* (Tehran: WOFIS – World Organization for Islamic Services, 1982).

<sup>30</sup> See Isma‘il Raji al-Faruqī, *Islamization of Knowledge* (Herndon, VA: IIIT, 1982); idem, *Tawhid: Its Implications for Thought and Life* (Herndon, VA: IIIT, 1982).

<sup>31</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986).

<sup>32</sup> Khurshid Ahmad, *Studies in Islamic Economics* (Leicester: The Islamic Foundation, 1981).

cultures into the commercial, industrial, and economic structures of an emerging nation-state.<sup>33</sup> The economic, administrative, financial, and social transformation took an immense toll on indigenous populations of the Middle East, which led to an array of reactions – one of them being the rising prominence of Muslim revivalists.

## 2.1. The Spiritual and Social Reconstruction of Colonial Life

There were various degrees of resentment towards adapting to Western political and legal structures that can be detected within the Muslim revivalist camp.

Jamāl al-Dīn al-Afghānī (1838-1897) was an Islamic ideologue who wrote about the political and economic losses of the Muslim world and whose main theme was uniting against European (especially British) imperialism.<sup>34</sup> Al-Afghānī's political views indicate an interest in adopting a constitutional government with active citizenship using a pan-Islamic model.<sup>35</sup> His ideology welded together traditional religious views of Islam, a critique of Western imperialism, and an appeal for Islamic unity, with a call for adoption of Western sciences and institutions. In *Al-Ishtirāqiyya fī al-Islām* he advocated the moral crux of Islam by expounding the notion of social solidarity (*al-taḍāmun al-ijtimā'ī*) and social responsibility (*al-takāful al-ijtimā'ī*),<sup>36</sup> while addressing the concepts of socialism (*al-ishtirāqiyya*) and capitalism (*ra'smāliyya*), as well as their critiques. He perceived their materialism as a destructive force, culminating in the breakdown of society. Al-Afghānī's critique<sup>37</sup> of socialism and materialism are expressed as a

<sup>33</sup> See Charles Tripp, *Islam and Moral Economy* (Cambridge: Cambridge University Press, 2006), 32; Wael Hallaq, *The Impossible State*, 141, 143, 144.

<sup>34</sup> See Nikki R. Keddie, *Sayyid Jamal ad-Din "al-Afghānī" – A Political Biography* (Berkeley: UCLA, 1972).

<sup>35</sup> Nikki R. Keddie, *Sayyid Jamal ad-Din "al-Afghānī" – A Political Biography* (Berkeley: UCLA, 1972); Roy Jackson, *Mawlana Mawdūdī and Political Islam* (London: Routledge, 2010), 103.

<sup>36</sup> See Jamāl al-Dīn al-Afghānī, *Al-A'māl al-kamīla*, ed. Muḥammad 'Imarāh (Cairo: Dār al-Kitāb al-'Arabī li al-Tab'ah wa al-Nahar, 1968), 413 ff; Muḥammad Abū Zahra, *Al-Takāful al-Ijtimā'ī fī al-Islām* (Cairo: 1964).

<sup>37</sup> "The 'Refutation' has not seemed to Western readers to be a particularly convincing argument, yet it has had and continues to have considerable reputation among Muslims. With it Afghani seems to have accomplished several goals simultaneously: (1) He suggested to intellectuals the dangers of going too far in their open criticisms of Islam, since religion had the practical virtues of tying together the community and keeping men from vice. (2) To the same group he suggested a way of reform through stressing certain passages of the Koran and certain parts of the Islamic tradition. (3) He combated the pro-British influence of Sayyid Ahmad Khan and his followers by identifying them with the harmful materialists. (4) He suggested certain limits to politico-economic as well as religious reform. (5) He reinforced pride in Islam as the best religion, providing Muslims with a useful counterweight to the British claims of cultural superiority. It would seem that Western disappointment in the book stems from an expectation of finding in it what we would call a "religious" document. It appears rather to be primarily an expedient, political tract; not necessarily even expressing the real opinions of the author, but written in order to accomplish certain goals... The 'Refutation' is certainly not an attempt to 'rethink' Islam, and any consistent public rethinking might in itself become sectarian, which was just what Afghani wanted to avoid." Nikki R. Keddie, *Sayyid Jamal ad-Din "al-Afghānī" – A Political Biography*, 180.

concern for the emerging potential for social disorder and the tearing apart of the social fabric.<sup>38</sup> He also preached about an “ideal” or “golden Islam” – one that he himself had neither known nor experienced, but that had existed prior to his time.

Even though al-Afghānī and ‘Abduh (1849-1905) agreed in reviving Islam through the application of *Sharī‘a* as an anticolonial struggle,<sup>39</sup> they parted paths in how to incorporate the Western sciences, knowledge, and political systems into an Islamic vision of society.<sup>40</sup> On the other hand, ‘Abduh and his early nationalist stance, which can be seen as a reaction to the British occupation of Egypt (1882-1956), influenced the flourishing of the nationalist sentiment in Egypt and across the Middle East. For ‘Abduh, colonial rule was the embodiment of Egypt’s decline along with the Middle East region as a whole. To extirpate this domination, social order in Muslim societies should be confronted through Islam’s political and moral reconstitution.<sup>41</sup> As a trained theologian and mufti, ‘Abduh was versed in Islamic studies and legal tradition, which he combined with his reformist views and incorporated into his writings.<sup>42</sup> While al-Afghānī believed that the source for revivalism ought to be found in Islam itself, ‘Abduh contended that pan-Islamism (and not Arab nationalism) was the answer to addressing the sociopolitical crisis. For him, there was no conflict between Islamic sciences and Western knowledge, since the aim of his reform was to raise Muslim consciousness. Even though he called for the cessation of the four legal schools or *madhāhib* and held that along with the Qur’an, the main source should be deeds and views by the Prophet Muhammad and the Rashidun caliphate, he believed in the immutability of the doctrinal Islam but not of the legislative Islamic practices.<sup>43</sup> Similar to Mawdūdī, he emphasized the education of Muslims, which would integrate both an Islamic and Western education.

Rashīd Riḍā (1865-1935) also promoted the establishment of an Islamic state that would be fully in accordance with modernization, yet one based on *Sharī‘a* as legal and moral norm;<sup>44</sup> Ḥasan al-Bannā (1906-1949) of the Muslim Brotherhood, who lamented the loss of Islamic spirit

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<sup>38</sup> Jamāl al-Dīn al-Afghānī, *Al-A‘mal al-kamila*, ed. Muhammad ‘Imarāh, 413-422; Nikki R. Keddie, *Sayyid Jamal ad-Dīn “al-Afghānī” – A Political Biography*, 171 ff; see also Nikki R. Keddie, *An Islamic Response to Imperialism: Political and Religious Writings of Sayyid Jamal ad-Dīn “al-Afghani”* (Berkeley: University of California Press, 1983).

<sup>39</sup> Iza R. Hussin, *The Politics of Islamic Law*, 177.

<sup>40</sup> Rodney Wilson, *A Short History of Islamic Economics*, 321.

<sup>41</sup> Muḥammad ‘Abduh, *Risālat al-tawḥīd*, Cairo; trans. I. Musa’ad and K. Cragg, *The Theology of Unity* (London: George Allen & Unwin, 1966).

<sup>42</sup> See e.g. *Al-Manār (The Beacon)* which he published with Rashīd Riḍā (1865–1935).

<sup>43</sup> “‘Abduh believed that Islamic doctrine does not prescribe any specific form of government, provided it follows the general principles of consultation (shura) as well as supporting the Maliki principle of maslaha (public interest) as the basis for legal decisions.” Roy Jackson, *Mawlana Mawdudi and Political Islam*, 104.

<sup>44</sup> Rodney Wilson, *A Short History of Islamic Economics*, 323. On *fiqh al-mu‘āmalāt* and *ribā* see Rashīd Riḍā, *Al-Ribā wa al-Mu‘āmalāt fī al-Islām*, ed. Muhammad Bahjat al-Bitar (Beirut: Dār Ibn Zaidun, 1986).

due to the material gains that had enchanted Muslims of the time, called for the restoration of mutual responsibility and social cohesion.<sup>45</sup> Unlike ‘Abduh, al-Bannā believed that elements of Western knowledge and modernization were alien to Islam. The revival or awakening of religious sentiments could be achieved through Islamic beliefs and its moral values that would reinvigorate society, for capitalism would deprive it of its spiritual qualities. Armed with a social agenda, the Muslim Brotherhood entered the realm of politics as the largest mass movement in Egypt of the time; they addressed questions of poverty, property, state, and power. They used the political arena as a vehicle to restore an Islamic order and to recuperate the spiritual revival.<sup>46</sup>

Sayyid Quṭb (1906-1966), a leading member of the Muslim Brotherhood, criticized the impact of Western cultural and political values in the Egyptian society, and argued that social justice ought to be preserved in Islamic tradition.<sup>47</sup> Even though he flirted with socialist ideas,<sup>48</sup> Quṭb believed that Islam put forward basic principles of social justice and provided mechanisms to preserve the egalitarian structure between the poor and wealthy.<sup>49</sup> However, he aimed to return to the “lost” Islamic knowledge that would liberate Muslims: “Rather our summons is to return to our own stored-up resources, to become familiar with their ideas, and to proclaim their value and permanent worth, before we have the resources to an untimely servility which will deprive us of the historical background of our life.”<sup>50</sup>

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<sup>45</sup> Charles Tripp, *Islam and Moral Economy*, 51.

<sup>46</sup> On the notion of property, Tripp states that it hence became more than simply a discussion within the domain of *fiqh*. Charles Tripp, *Islam and Moral Economy*, 49.

<sup>47</sup> After his visit to the States, he noticed: “America is the inexhaustible material resources, strength and manpower. It is the huge factories, unequaled in all of civilization. It is the awesome, incalculable yields, the ubiquitous institutes, laboratories, and museums. American genius... America’s bounty and prosperity evokes the dreams of the Promised Land [...] this country of mass production, immense wealth and easy pleasures. I have seen them [Americans] a helpless prey in the clutches of nervous diseases in spite of all their grand appearances . . . They are like machines swirling round madly, aimlessly into the unknown . . . That they produce a lot there is no doubt. But to what aim is this mad rush? For the mere aim of gaining and production. The human element has no place if their life is neglected . . . Their life is an everlasting windmill which grinds all in its way: men, things, places and time . . . What is the medicine to all this imbroglio? A peaceful heart, a serene soul, the pleasure which follows strenuous work, the relation of affection between men, the cooperation of friends.” Sayyid Quṭb, *The America I have seen: In the Scale of Human Values*, trans. Tarek Masoud, Ammar Fakeeh (Kash ul Shubahat Publications, 1951), 2; Sayyid Quṭb, ‘Humanity needs us’, trans. M. Hafez, *Al-Muslimūn* 3/2 (1953): 3-4 in Charles Tripp, *Islam and the Moral Economy*, 230.

<sup>48</sup> “...Similarly we have no good grounds for any hostility between Islam and the thought of social justice, such as the hostility that persists between Christianity and Communism.” Sayyid Quṭb, *Social Justice in Islam*, trans. John B. Hardie (Washington, D.C.: American Council of Learned Societies, 1953), 7-9.

<sup>49</sup> “... Islam prescribes the basic principles of social justice, and establishes the claim of the poor to the wealth, of the rich; it lays down a just principles for power and for money...,” Sayyid Quṭb, *Social Justice in Islam*, 7-9, 13-16 in John Donohue and John Esposito (eds.), *Islam in Transition* (New York, Oxford: Oxford University Press, 1982), 124.

<sup>50</sup> Quṭb also noted that “While we are examining this universal theory which takes its rise from the nature of Islamic thought about the world and life and humanity, we ay study also the fundamental outlines of social justice in Islam.” Sayyid Quṭb, *Social Justice in Islam*, 13-16 in John Donohue and John Esposito (eds.), *Islam in Transition*, 125.

In South Asia, Muhammad Iqbal (1877-1938) addressed the ideas of socialism (or proletariat, *nadar*) and capitalism (*sarmayahdar*). Iqbal was interested in socialist communal views (and not its materialist philosophy), while being sceptical of capitalism because of its economic inequality.<sup>51</sup> Even though he did not develop a reformed system of Islam, he nonetheless argued that the faculties of social norms, solidarity, and cooperation of Islam could contribute to the common well-being of society in the direction of a spiritual renewal.<sup>52</sup> Two interrelated key concepts in Iqbal's vocabulary for the resurgence of Islam were *khudi* and *tawhīd*.<sup>53</sup> *Khudi* is a moral and existential term expressing the consciousness of *umma* as well individual agency, since the individual is expressed through the communal.

Mawdūdī (1903-1979) had more frequent interaction with Iqbal than with other revivalists. Like Mawdūdī, Iqbal seemed eager to pursue the idea of a Muslim-governed province in India,<sup>54</sup> while calling for an Islam that would adapt to modern conditions. Iqbal advocated a Muslim homeland in the 1930s but without offering a political organization to achieve that objective.<sup>55</sup> Yet, while Iqbal was openly using Western sources and literature, Mawdūdī, despite

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<sup>51</sup> The first book authored on economics in Urdu is believed to be Iqbal's *Ilmul Iqtisad*. Muhammad Iqbal, *Ilmul Iqtisad* (Lahore: Khadimul-Taleem Steam Press of Paisa Akhba, 1904, 2<sup>nd</sup> edition Karachi: Iqbal Academy, 1961).

<sup>52</sup> Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, 56.

<sup>53</sup> "Humanity needs three things today - a spiritual interpretation of the universe, spiritual emancipation of the individual, and basic principles of a universal import directing the evolution of human society on a spiritual basis. Modern Europe has, no doubt, built idealistic systems on these lines, but experience shows that truth revealed through pure reason is incapable of bringing that fire of living conviction which personal revelation alone can bring. This is the reason why pure thought has so little influenced men, while religion has always elevated individuals, and transformed whole societies. The idealism of Europe never became a living factor in her life, and the result is a perverted ego seeking itself through mutually intolerant democracies whose sole function is to exploit the poor in the interest of the rich. Believe me, Europe today is the greatest hindrance in the way of man's ethical advancement. The Muslim, on the other hand, is in possession of these ultimate ideas of the basis of a revelation, which, speaking from the inmost depths of life, internalizes its own apparent externality. With him the spiritual basis of life is a matter of conviction for which even the least enlightened man among us can easily lay down his life; and in view of the basic idea of Islam that there can be no further revelation binding on man, we ought to be spiritually one of the most emancipated peoples on earth. Early Muslims emerging out of the spiritual slavery of pre-Islamic Asia were not in a position to realize the true significance of this basic idea." Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, 106-107.

<sup>54</sup> Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, 8. See also Muhammad Iqbal, *Struggle for Independence: 1857-1947* (Karachi: 1958), 14.

<sup>55</sup> "Iqbal's aim was evident in his letter to the rector of al-Azhar in Cairo, Shaikh Mustafa al-Maraghi, requesting a director for the intended daru'l-'ulum; Iqbal asked the Egyptian 'alim for a man who was not only well versed in the religious sciences, but also in English, the natural sciences, economics, and politics. Iqbal arranged for him to come to Lahore and serve as the imam of the Badshahi (royal) mosque at a salary of 100 rupees per month and to partake in Iqbal's plans for the revival of Islam, 'umraniat-i Islami ki tashkil-ijadid (reconstruction of the social aspects of Islam). Mawdudi turned down Iqbal's offer on the grounds that he did not want a paying job that would restrict his freedom. Mawdudi accepted Iqbal's scheme and agreed to use the waqf to train a number of capable Muslim students and young leaders in Islamic law as well as modern subjects. Although the project was essentially educational, the imprint of Mawdudi's politics was evident in its name, Daru'l-Islam (Land of Islam)." Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism* (New York, Oxford: Oxford University Press, 1996), 34.



relying on Western thought, did not do so openly. This was in order to facilitate an Islam that was primarily based on its own worldview as a dynamic and revolutionary ideology. Mawdūdī asserted that Iqbal's influence on him was limited by saying that “the commonality of views between ‘Allamah Iqbal and me are limited to our belief that Islamic law should underlie the revival of our religion; my thoughts and intellectual probing are my own.”<sup>56</sup> For Mawdūdī, the very concept of Islamism asserts a degree of intellectual independence stemming from his interpretation of Iqbal's notion of *khudi* (selfhood), which Mawdūdī read as Islamic self-confirmation against the foreign political and ideological -isms.<sup>57</sup> As such, Mawdūdī took historical Islam out of its context by making it politically viable for modern needs – especially his theory of an Islamic state. Iqbal's understanding of *tawhīd* implied the rejection of the dualistic projection of the world,<sup>58</sup> indicating a unity of spirit and matter and embodied in the term *khudi*.<sup>59</sup> The ultimate level of *khudi*, which is God, is both immanent and transcendent and points to the spiritual foundations of reality. Similar to Iqbal's, Mawdūdī's goal was the reintegration of *tawhīd* in society, yet the former's concept appears more mystical, whereas the latter's was more policy-oriented.

Further west, in Iran, Ali Shari'ati (1933-1977) was developing a fully novel approach to Shi'ism and interpretation of religion, while critiquing Marxism and liberal democracy.<sup>60</sup> His theory of Islam did not rest solely on an Islamic state, but rather on the conception of God that is

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<sup>56</sup> Mawdudi, *Fundamentals of Islam* reprint, Delhi: Markazi Maktabah-i Islami, 1978, 21 in Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 37.

<sup>57</sup> “In perhaps his greatest work, *Secrets of the Self* (‘Asrar-i-Khudi’), Iqbal writes of the need for Muslims to re-awaken their soul and act. Just as Mawdudi saw the Prophet Muhammad as a paradigm of the ideal Muslim and leader, Iqbal too saw the Prophet as the perfect Prophet-Statesman who founded a society based on freedom, equality and brotherhood reflected in the central tenet of ‘unity’ (tawhid). In the practical sense, Iqbal believed that a requisite of being a good Muslim was to live under Islamic law which acts as the blueprint for the perfect Islamic society, as envisioned by the Prophet Muhammad.” (page 52); “Iqbal – unlike Mawdudi – thought that the perfect Islamic state has never existed in past history and so to create such a state requires looking to the future, not the past.” Roy Jackson, *Mawlana Mawdudi and Political Islam*, 89.

<sup>58</sup> For more on the Cartesian dualistic conception of the world and its critique see Thomas Bauer, *Die Kultur der Ambiguität*, 2011.

<sup>59</sup> See Muhammad Iqbal, *Asrar-i Khudi* trans. by R. A. Nicholson: *The Secrets of the Self* (London, 1920; revised edition, Lahore, 1940).

<sup>60</sup> “At any rate, Western bourgeois liberalism and Marxism both boast of their humanism. The former claims, by leaving individuals free to think and to pursue scientific research, intellectual encounter, and economic production, to lead to a blossoming of human talents. The latter claims to reach the same goal through the denial of those freedoms, through their confinement under a dictatorial leadership that manages society as a single organization, on the basis of a single ideology that imparts to people a monotonous uniformity.”; “Democracy and Western liberalism – whatever sanctity may attach to them in the abstract – are in practice nothing but the free opportunity to display all the more strongly this spirit and to create all the more speedily and roughly arena for the profit-hungry forces that have been assigned to transform man into economic, consuming animal.” Ali Shari'ati, *Marxism and Other Western Fallacies*, trans. R. Campbell (Berkeley: Mizan Press, 1980), 21, 33.

to be found in personal and practical aspects of human endeavor.<sup>61</sup> He believed that Marxism could not provide the ideological means for its own liberation,<sup>62</sup> thus he focused on Islam as a revolutionary ideology and thought of Shi'ism as a complete party.<sup>63</sup> According to Shari'ati, even though historically the foundation of human problematic is the emergence of private ownership, he believed that in modern times the development of machines would be a necessary transition for the human condition. Islam and Marxism were two ideologies that embrace all aspects of human life, yet in a very different form of ontology and cosmology. Marxism is based on materialism, whilst Islam is founded

upon faith in the unseen – the unseen [*ghayb*] being definable as the unknown actually that exists beyond the material and natural phenomena that are accessible to the senses and to our intellectual, scientific, and empirical perception, and which constitutes a higher order of reality and the central focus of all the movements, laws, and phenomena of this world.<sup>64</sup>

Shari'ati, who wrote on religious knowledge, stressed that Islam addresses also economic provision and social justice as principles of its social and cosmological order that pertains to moral growth.<sup>65</sup> His religious reform of Islam centered both on the Qur'an, which is perceived to contain a revolutionary theory, and *tawhīd*<sup>66</sup> as an absolute unity of God and all things connected to God.<sup>67</sup>

Moreover, in Pakistan Fazlur Rahman (1919-1988), one of the key proponents of the modernization process of Islam,<sup>68</sup> was also critical of Mawdūdī.<sup>69</sup> He favored the spiritual and metaphysical components of Muslim society,<sup>70</sup> though was critical Islamization of knowledge.

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<sup>61</sup> Even though he contested against tyranny, he lived in the time where Islam was not only religiously but also politically and linguistically most viable discourse. Barbara Celarent, review of *On the Sociology of Islam; Marxism and Other Western Fallacies*, by Ali Shari'ati, *American Journal of Sociology*, Vol. 117, No. 4, January 2012, 1290.

<sup>62</sup> "Since history, according to Marx, is 'the continuation of the movement of material culture,' man, in the context of history, is ultimately retuned to the mechanical nature of the naturalists, to be conceived of as a material entity. Thus, all the values that Marx bestows upon him in the context of society he takes back from him with the hand of dialectical materialism. (Here Chadel's very telling remark comes to mind: 'Marx the philosopher crushes all the substantive values of man under the wheels of the blind juggernaut of dialectical materialism; but Marx the politician and leader, with the most fervid and electrifying praise of these values, mobilizes people for power and victory.')" Ali Shari'ati, *Marxism and Other Western Fallacies*, 29.

<sup>63</sup> Hamid Dabashi, *Theology of Discontent* (New Brunswick: Transaction Publisher, 2006), 116-117.

<sup>64</sup> Ali Shari'ati, *Marxism and Other Western Fallacies*, 65-66.

<sup>65</sup> Ali Shari'ati, *Marxism and Other Western Fallacies*, 73.

<sup>66</sup> Hamid Dabashi, *Theology of Discontent*, 129-134.

<sup>67</sup> See Ali Shari'ati's *On the Sociology of Islam*, trans. Hamid Algar (Berkeley: Mizan Press, 1979).

<sup>68</sup> "The 'Wahhabi' movement and other kindred or parallel reform phenomena wanted to reconstruct Islamic spirituality and morality on the basis of a return to the pristine 'purity' of Islam. The current postmodernist

The essence of the matter is that the neorevivalist has produced *no* Islamic educational system worthy of the name, and this is primarily because, having become rightly dissatisfied with much of the traditional learning of the *ulema*, he himself has been unable to devise any methodology, any structural strategy, for understanding Islam or for interpreting the Quran.<sup>71</sup>

Yet Rahman agreed with Mawdūdī in that education is vital for the recuperation of the Muslims, and that the Qur'an should be analyzed within the context of historical, social, political, and economic developments, in order to understand the pressing conditions of the time.

## 2.2. The Social Logic of the State and the Material Imprint of Capitalism and Socialism

The above-mentioned revivalists deliberated over not only the sociopolitical conditions of the time, but also the idea of morality and moral restructuring of man, which could be attained through social mobility. This would be levied against the dangers of capitalism and communism. Islamic socialism merged the question of social norms and power with moral and spiritual

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fundamentalism, in an important way, is novel because its basic élan is anti-Western (and, by implication of course, anti-Westernism). Hence its condemnation of classical modernism as a purely Westernizing force. Classical modernists were, of course, not all of a piece, and it is true that some of these modernists went to extremes in their espousal of Western thought, morality, society, and so on. Such phenomena are neither unexpected nor unnatural when rapid change occurs, particularly when it derives from a living source like the West. But just as the classical modernist had picked upon certain specific issues to be considered and modernist positions to be adopted thereupon – democracy, science, status of women, and such – so now the neo-fundamentalist, after – as I said before – borrowing certain things from classical modernism, largely rejected its content and, in turn, picked upon certain specific issues as ‘Islamic’ par excellence and accused the classical modernist of having succumbed to the West and having sold Islam cheaply there. The pet issues with the neo-fundamentalist are the ban on bank interest, the ban on family planning, the status of women (contra the modernist), collection of zakat, and so forth-things that will most *distinguish* Muslims from the West. Thus, while the modernist was engaged by the West through attraction, the neo-revivalist is equally haunted by the West through repulsion. The most important and urgent thing to do from this point of view is to ‘disengage’ mentally from the West and to cultivate an independent but understanding attitude toward it, as toward any other civilization, though more particularly to the West because it is the source of much of the social change occurring throughout the world. So long as Muslims remain mentally locked with the West in one way or the other, they will not be able to act independently and autonomously.” Fazlur Rahman, *Islam and Modernity* (Chicago: Chicago University Press, 1982), 136-137.

<sup>69</sup> Fazlur Rahman, *Islam and Modernity*, 116 ff.

<sup>70</sup> “If metaphysics enjoys the least freedom from assumed premises, man enjoys the least freedom from metaphysics in that metaphysical beliefs are the most ultimate and pervasively relevant to human attitudes; it is consciously or unconsciously the source of all values and of the meaning we attach to life itself. It is therefore all-important that this very ground of formation of our attitudes be as much informed as possible... Metaphysics, in my understanding, is the unity of knowledge and the meaning and orientation this unity gives to life. If this unity is the unity of knowledge, how can it be all that subjective? It is a faith grounded in knowledge.” Fazlur Rahman, *Islam and Modernity*, 132.

<sup>71</sup> Fazlur Rahman, *Islam and Modernity*, 137.

components, reflecting on the premodern ideas of social cohesion, religious morality and spiritual well-being. The underlying notions of mutual responsibility and cohesion led revivalists to believe that the Islamic vision (of the state) would contest the ideas of individualism and property ownership.

Linking ownership to a goal greater than the mere satisfaction of individual wants would bring out the ‘social function’ (*al-wazifat al-ijtima’iyah*) of property – that is, the obligations of the proprietor to other members of society. This function corresponded partly to the conditionality of all property in a universe in which God had entrusted humans with its use, encapsulated in rules such as payment of zakat, which were associated with this conditional ownership. To participate in a system of zakat was not only obligatory in the terms laid down for the faith (as one of the five pillars of Islam), but was also a means whereby any individual could fulfil their ethically complete potential.<sup>72</sup>

The notion of social balance that was also discussed by the revivalists corresponds to a premodern understanding of moral economy, reflected in human relations the balance and proportion of God’s ordering of the universe. Modernists have taken up the subject of wealth and property in light of classical Muslim scholars and the prophetic *hadīth* that insinuates the moral fortitude of the acquisition of wealth.<sup>73</sup> The question of wealth acquisition – one of the focal points of premodern Muslim scholar – has emerged as a major concern among Muslim economists, especially in relation to the expansion of capitalism in the 20<sup>th</sup> century. In what follows, I discuss how key Muslim revivalist Mawdūdī voiced the promulgation of healthy accumulation, launching a critical stance against capitalism. For moral economy was perceived as something that emerges from the needs of society and that is of benefit to all its subjects. Since capitalist monetary economy uses money<sup>74</sup> both as a commodity and as a *tour de force* of

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<sup>72</sup> Charles Tripp, *Islam and Moral Economy*, 56. See also al-Siba’i, *Ishtirakiyat al-Islām* (Damascus, 1960); Seyyed Mahmood Taleqani, *Islam and Ownership*, trans. A. Jabbari and F. Rajaei Lexington (KY: Mazda Publishers, 1983), 88-101

<sup>73</sup> “Every community has a test and the test of my community is money/wealth” (*Inna li-kul ummah fitnah wa-fitnah ummati al-māl*). Abu ‘Isa Muhammad bin ‘Isa bin Surah al-Tirmidhi, *Kitāb al-zuhd*, no. 26 (*hadīth* no. 2336), in *Al-Jami‘ al-Sahih*, ed. Ibrahim ‘Awad (Beirut, 1963), part 4, 569 in Charles Tripp, *Islam and Moral Economy*, 65.

<sup>74</sup> For more detailed discussion on money (*māl*) and its alienating faculties if used illicitly as stated by the classical Muslim scholars, see Chapter Four. Tripp notes that also Marx distinguished at least two aspects of money: “Marx appreciated the ‘wealth-in-circulation’ aspect of money, but also, as a critic of what this means for human relations, was aware of its alienating capacities. In this, he was following a long tradition of uneasy moralists who inveighed against the dangers inherent in the nature of money. Thus money is not simply ‘protocapitalist’ in a material sense, but also in an ethical or normative sense.” Charles Tripp, *Islam and Moral Economy*, 64.

development, the aforementioned Muslim revivalists contested such an economic mode due to its power in colonizing all domains of life.

The Islamic social critique of materialism and socialism of the 1940s and 1950s<sup>75</sup> influenced how Islamic economics would be conceptualized and treated during the 1970s. The early social critique centered on the notion of the state (*dīn wa dawla*), “which would both defend society against the depredations of capitalism and lay the foundations for its Islamic reassertion.”<sup>76</sup> *Dīn wa dawla*, however, was not a traditional phrase invoked in premodern Islam, but only appeared during the anticolonial movements towards the late 19<sup>th</sup> century.<sup>77</sup> This had irrevocable ramifications towards the development of the political and economic systems of modern Islam – in particular, in South Asia, where first scholars of Islamic economics emerged.

The normalization and institutionalization process of such orientations in the Middle East and especially in South Asia asserted the transition of religious ideologies into political systems, carried out by Islamists. The difference between European concepts of the state and citizen, and Islamists’ designs of the state, is apparent on an epistemological level, wherein the emancipation of the citizen in Europe occurred through their emancipation from religious authority; conversely, the revivalists supported the emancipation of their citizens from colonial powers (chiefly Britain and France) through Islamic moral teachings. This was paradoxically carried out through the homogenous structure of state formation, which was historically a uniquely European experience.<sup>78</sup> The popular movements for decolonization, national independence, and state activism that developed in the early 20<sup>th</sup> century sought to justify an Islamic narrative, pitching social reforms and political developments in a framework of a new, ideal Islamic state, which would fulfil the sociopolitical and economic void created by the colonial powers. Such a narrative

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<sup>75</sup> Seyd Qutb, *Al-‘Adāla wa al-Ijtimā‘iyya fī al-Islām* (Beirut: Dār al-Shurūq, 1990), 10 f; Ali Shari’ati, *Marxism and Other Western Fallacies*; Charles Tripp, *Islam and Moral Economy*, 77.

<sup>76</sup> Charles Tripp, *Islam and Moral Economy*, 77.

<sup>77</sup> “Der Slogan, der Islam sei *dīn wa dawla*, ‘Religion und Staat’, ist kein klassischer islamischer Grundsatz und kein wesenhafter Bestandteil des Islams. Tatsächlich findet er sich erstmals in der islamischen antikolonialistischen Bewegung Ende des 19. Jahrhunderts. Bei den Vordenkern des ‘politischen Islams’ wie Abū l-‘Alā’ al-Mawdūdī und Sayid Qutb nimmt er eine yentrale Stellung ein und wir schließlich zur Leitmaxime des modernen politischen Islams. Erstmals wird damit der Anspruch erhoben, alle Aspekte des öffentlichen Lebens, von der Kultur, über die Politik bis hin zur Wirtschaft, aus einer einheitlichen islamischen Perspektive zu regeln. Es versteht sich von selbst, daß die alte Ambiguitätstoleranz hier keinen Platz findet.” Thomas Bauer, *Die Kultur der Ambiguität*, 342; “Its first documented presence in the Arab Middle East goes back to the end of the formative phase of a space of public communication during the end of last century. Even before, the similar expression *din-ü-develet* (where *islam* was a implicitly present as the object to predicate) has been used in the Ottoman literature of “political advice” at least since the end of the seventeenth century... It is clear only that the slogan acquired a particular prominence after the demise of the Caliphate in Istanbul between 1922 and 1924, and in particular from the 1930s, especially through the sociopolitical activism of new, organized Islamist groups like the Egyptian Muslim Brotherhood.” Armando Salvatore, *Islam and the Political Discourse of Modernity*, 58.

<sup>78</sup> Wael Hallaq, *The Impossible State*, 38.

of social criticism, willingly or unwillingly, presupposed an authentic Islamic socio-politico-economic vision, which was, however, rooted in a liberalist logic.<sup>79</sup> The state authorities in the Middle East managed to hold onto state power and to idealize historic narratives of Islamic rule, giving leeway to facilitate and reconstruct the necessary mechanisms for the establishment of an Islamic state with popular support.<sup>80</sup> The secular logic of the state, which also meant an opening for a later capitalist development, remained the dominant political and systemic force.

The Muslim religious scholars who wrote on Islamic economics (analyzed below), envisioned an Islamic state, which was, however, never fully parted from the capitalist, secular, and liberal functions, despite the Islamic state's moral predicaments and Islamic character. It is exactly in this sense, that the once colonized and now apparently formally decolonized subjects took upon themselves the same systemic structures of governance, for the (Islamic) state became the dominant guide in expounding the laws and norms of *Sharī'a*, which would liberate the underprivileged from the colonial rule.<sup>81</sup> The secular-liberal logic of statehood was the main agency of power since the 1950s in the emerging Islamic states of Iran, Pakistan, Malaysia, and others.<sup>82</sup> State formation meant also facing the handicaps of the socioeconomic, political, and historical circumstances of independence in those countries. Some leaders sought to increase state authority, and to expand control over the economy and economic development.

The colonized countries of the Middle East (and South Asia), such as Egypt, Pakistan, Malaysia and others, experienced in the 20<sup>th</sup> century capitalism not only through the political power of colonialism and the subsequent expansion and exploitation of local structures, but primarily through the establishment of the modern nation-state.<sup>83</sup> It was exactly the nation-state that encapsulated and generated the legal framework, institutional nature, and economic policies for the expansion of a market economy under the auspice of allegedly Islamic governments.<sup>84</sup>

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<sup>79</sup> "Nowhere was this more in evidence than in Egypt, one of the principal sites for the development of a distinctive Islamic social critique of capitalism in 1930s and 1940s. In the 1950s and 1960s, under the republican regime of Gamal 'Abd al-Nasir (Nasser), it became the terrain for competing visions of development – centralised socialist state planning versus free enterprise liberal capitalism – expressed both in a secular and a distinctively Islamic idiom." Charles Tripp, *Islam and Moral Economy*, 77.

<sup>80</sup> In Egypt, for instance, Islamic socialism was closer to the ideas of secular and socialist developments than to the revivalists' ideas of Jamāl al-Dīn al-Afghānī, Muḥammad Abduh, and Rashīd Riḍā. See Sami A. Hanna and George H. Gardner (eds.), *Arab Socialism – A Documentary Survey* (Leiden: Brill, 1969).

<sup>81</sup> See e.g. Iza Hussin, *The Politics of Islamic law*, 93-94.

<sup>82</sup> For instance, the Constitution of 1957 in Malaysia was predominantly secular in nature and followed the British order. See Constitution of Malaysia of 1957, accessed September 16 2017, <http://www.commonlii.org/my/legis/const/1957/>. See also Seyyed Vali Reza Nasr, *The Vanguard of the Islamic Revolution: The Jama'at-I Islami of Pakistan* (Berkeley: University of California Press, 1994), 28 ff.

<sup>83</sup> J. M. Blaut, "Colonialism and the Rise of Capitalism," *Science & Society*, Vol. 53, No. 3 (Fall, 1989): 260-296.

<sup>84</sup> Market economy is inextricably related to the formation of a nation state. Polany writes: "Market economy implies a self-regulating system of markets; in slightly more technical terms, it is an economy directed by market

The gradual withdrawal of colonial rule and the achievement of formal independence generated the sentiment among the local population that the moment to establish a society (and a state) driven by authentically Islamic norms had arrived. Such a society would be possible only within the context of the modern state, which would reinforce the narratives of prosperity, social cohesion, independence, and Islamic legal rule. Yet many questions remained unsettled, germane to the legitimacy of such a state, its far-reaching consequences, the issue of territorial limits, and the concern of national sovereignty and religiously-driven governance.

The changing political and socioeconomic conditions from the 1970s onwards in Pakistan and Malaysia – the countries in which Islamization of knowledge and Islamic economics were most pronounced – did not replace the colonial state but rather took over its operations.<sup>85</sup> The change in the political arena in Pakistan, Malaysia, and Iran, and the vast oil price rises of the 1970s had altered the balance of economic power between many oil-producing countries across the Middle East and the industrialized states.

The credit for envisioning and more so, realizing an Islamic state and society, based on the fundamental premise of the Qur'an and equipped with an Islamic political economy, goes to Sayyid Abū al-A'ālā Mawdūdī and his theory of theo-democracy.

### 3. 'Abū al-A'ālā Mawdūdī and the 20<sup>th</sup> Century Transition from Nation to Islamic State

One of the most influential and prolific contemporary Muslim thinkers, Sayyid Abū al-A'ālā Mawdūdī (1903–1979), was an Islamic ideologue and proponent of the re-Islamization of Muslim society and state in India.<sup>86</sup> His interpretation and implementation of Islamic principles and the notion of *Sharī'a*, state, and economics, is visible also in the writings of other revivalists. Mawdūdī was brought up in the historical context of India at a time of decline of British colonial power, witnessing a downswing of Muslim Mughal dominance and the subsequent rise of Hindu

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prices and nothing but market prices... In the advent of the labor market common law played mainly a positive part—the commodity theory of labor was first stated emphatically not by economists but by lawyers. On the issue of labor combinations and the law of conspiracy, too, the common law favored a free labor market..." Karl Polanyi, *The Great Transformation*, 45, 90.

<sup>85</sup> Charles H. Kennedy, *Bureaucracy in Pakistan* (Karachi: Oxford University Press, 1987); Seyyed Vali Reza Nasr, *Islamic Leviathan* (Oxford, New York: Oxford University Press, 200), 48.

<sup>86</sup> On the nationalism and the historic development of colonialism see Partha Chatterjee, *Nationalist Thought and the Colonial World: A Derivative Discourse* (London: Zed Books, 1993), 1-36.

nationalism and secularism.<sup>87</sup> Between 1937-1939, after returning to Dehli, Mawdūdī expanded his vision of *da'wa* as a call for an Islamic worldview. The founder of *Jama'at-i Islami* in 1941, he acted as its leader from its inception until 1972.<sup>88</sup> Between 1921-1924, he was involved in the *Khilafat* movement, and later in the *Jami'at-i Ulama-i Hind*.<sup>89</sup>

### 3.1. Mawdūdī's Key Islamic Concepts

The reintegration of the notions of *tawhīd*, *Sharī'a* and *dīn* in the political discourse of the state are crucial for understanding Mawdūdī's vision of an Islamic state and society, that promulgated a development of Islamic economics as a discipline through his disciples, such as Khurshid Ahmad and other Muslim economists. As the mastermind of political Islam,<sup>90</sup> Mawdūdī's key concepts expound his vision of the religion of Islam and its sociopolitical predicaments that give incentives also for the study of revivalism and Islam's political economy. He holds that *Sharī'a* is "the detailed code of conduct or the canons comprising ways and modes of worship, standards of morals and life and laws that allow and proscribe, that judge between right and wrong."<sup>91</sup> As for *fiqh*, he maintained that it is a "detailed law derived from the Qur'an and the hadis covering the myriads of problems that arise in the course of man's life have been compiled by some of the leading legislators of the past."<sup>92</sup> In a similar vein, Mawdūdī's notion of *dīn* contains multiple meanings. The first pertains to the higher reality, reign, and heavenly kingdom, whereas the second is rather the opposite, denoting subordination and communality.<sup>93</sup> He understood that the underlying difference between *Sharī'a* and *dīn* was that religion, translated as *dīn*,<sup>94</sup> always remained the same, whereas *Sharī'a* contained multiple forms that have undergone alterations in order to adapt to new realities and times.<sup>95</sup> In light of his idea of *umma*-based Islamic state,

<sup>87</sup> Roy Jackson, *Mawlana Mawdudi and Political Islam*, 83.

<sup>88</sup> Seyyed Reza Vali Nasr, *The Vanguard of the Islamic Revolution*, 3.

<sup>89</sup> Seyyed Reza Vali Nasr, *Mawdudi and the Making of Islamic Revivalism*, 19-21.

<sup>90</sup> For Mawdūdī, Islam is an all-embracing ideological system equal to Western political ideologies. Abū A'lā al-Mawdūdī, *Mabādi' al-Islām* (Dimashq: Dhakhā'ir al-Fikr al-Islāmī, 1961), 3 f, 62 f. See also Thomas Bauer, *Die Kultur der Ambiguität*, 100. Similar opinion shares also Kuran. See Timur Kuran, *Islam and Mammon* (Princeton: Princeton University Press, 2004), 5.

<sup>91</sup> Abu A'la al-Mawdudi, *Towards Understanding Islam (Risalah Diniyat)* (Lahore: U.K.I.M. Dawah Center, 1960), 82.

<sup>92</sup> Abu A'la al-Mawdudi, *Towards Understanding Islam*, 82.

<sup>93</sup> Abu A'la al-Mawdudi, *Als Muslim leben* (Karlsruhe: Cordoba Verlag, 2001), 57.

<sup>94</sup> "Mawdudi defined *din* primarily as absolute obedience to God. The *shari'ah* as the content of the *din* in turn provided linkages between the individual and the society and, hence, the manner in which *din* was to fulfill its objective." Seyyed Reza Vali Nasr, *Mawdudi and the Making of Islamic Revivalism*, 63.

<sup>95</sup> Abu A'la al-Mawdudi, *Als Muslim leben*, 59.



Mawdūdī opposed any form of nationalism, while promoting the idea of Islam as a religion of unity. He observed:

The law of God (the Shari‘a) has always aimed at bringing together mankind into one moral and spiritual frame-work and make them mutually assistant to one another on a universal scale. But nationalism at once demolishes this frame-work with the noxious instruments of racial and national distinction...The Shari‘a of God provide the highest opportunities of free contact between man and man because on this very contact depends the progress of human civilization and culture.”<sup>96</sup>

In his writings, Mawdūdī resorted to Western thought and invoked the postulates of an Islamic vision of society based on the notion of *tawhīd*, as the absolute oneness of God. This allowed him to combine philosophical, sociopolitical, and economic theories of modernity with Islamic dogmatic interpretations. “Mawdudi’s method is an ‘idiosyncratic combination of ijtihad and literalist exegesis’, it is that ‘idiosyncratic’ element that causes Mawdudi to stand out and be distinguished from the salafī.”<sup>97</sup> Mawdūdī described *tawhīd* as

the most fundamental and the most important teaching of Prophet Muhammad (blessings of Allah and peace be upon him) is faith in the unity of God. This is expressed in the primary Kalimah of Islam as “There is no deity but Allah” (La- ilaha illallah). This beautiful phrase is the bedrock of Islam, its foundation and its essence. It is the expression of this belief which differentiates a true Muslim from a kafir (unbeliever), mushrik (one who associates others with God in His Divinity) or dahriyah (an atheist).<sup>98</sup>

Mawdūdī’s concept of *tawhīd* – a central term used also by the proponents of Islamization and Islamic economics – presents a building block for his advancement of his sociopolitical theory of the state. What I refer to as Mawdūdī’s “modern Islamic nation-state” rests upon the very conceptualization of religious terminology, reintegrated in the framework of a political economy. He views *tawhīd* through the sovereignty of God, which encompasses social and moral system.<sup>99</sup> As a result, he adopted a more literalist approach to the Qur’an but did not contest against

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<sup>96</sup> Abu A’la al-Mawdudi, *Nationalism and India* (Lahore: Maktaba-e-Jama‘at-e-Islami, 1947), 10-12, in John Donohue and John Esposito (eds.), *Islam in Transition*, 95.

<sup>97</sup> Roy Jackson, *Mawlana Mawdudi and Political Islam*, 106.

<sup>98</sup> Abu A’la al-Mawdudi, *Towards Understanding Islam*, 50.

<sup>99</sup> Abu A’la al-Mawdudi, *Islam: Its Meaning and Message*, ed. Khurshid Ahmad (London: Council of Europe, 1976), 147-148.

scientific knowledge, which he perceived as objective. A major point of contestation for him was how is science being used and for what purposes. As long it is rooted in the Islamic belief with accompanying ethical norms, it can be regarded as Islamic, a view that will have repercussions also for the field of economics. In this regard, he differentiated between modernization and westernization, a feature that set him apart from Salafism. He accepted the former but was doubtful of the latter. Instead of criticizing the processes and modes of modernization for the decline of the Muslim *umma* – like the early revivalists did – he directed his focus also on the Muslims' inability and failures to emerge and succeed in establishing their own sociopolitical system.<sup>100</sup> This correlates also to his comprehension of *tajdīd* as renewal process, perceived as an inevitable outcome of applying Islamic worldview to the system of thought that commences within an individual and has far reaching paradigmatic consequences upon society as a whole.<sup>101</sup> His reading of the Qur'an suggests not reinforcing the 7<sup>th</sup> century religious paradigm, but rather an attempt to reformulate Islam's sociopolitical domain through the inception of *tajdīd* as part of the Qur'anic revelation.<sup>102</sup>

### 3.2. Colonial Legacy and Mawdūdī's Vision of an Islamic Society and State

Mawdūdī's views on Islamic state and society are, as will be analyzed in the following pages, crucial to the development of an Islamic economic system, due to the intersection of his theory on religious morality and the unfolding of the political economy embedded in the formation of a modern (Pakistani) state. Since the reconstitution of political power of Muslims in India in the first half of the 20<sup>th</sup> century was related to the idea of modernity, the fusion of Islamic and Western concepts and ideas was inevitable in order to achieve the political and economic autonomy of a post-colonial state.

Mawdūdī's actual turn to a more Islamic ideological formation took place in the 1930s when he accepted the offer of Nawab Salar Jang, a politician from Hyderabad, to propose and

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<sup>100</sup> Mawdūdī states that "On the one hand we have to imbibe exactly the Qur'anic spirit and identify our outlook with the Islamic tenets while, on the other, we have to assess thoroughly the developments in the field of knowledge and changes in conditions of life than have been brought during the last eighteen hundred years." Muhammad Yusuf, *Maududi: A Formative Phase* (Karachi: Islamic Research Academy, 1979), 35.

<sup>101</sup> For more on *tajdīd* see Abu A'la al-Mawdudi, *A Short History of the Revivalist Movement in Islam*, trans. al-Ash'ari (Lahore: Islamic Publication Limited, 1963), 34-44.

<sup>102</sup> On this point, it is crucial to reiterate that since the second half of the 19<sup>th</sup> century, *Sharī'a* law as was in commercial, general and criminal law, deconstructed and, as a result, replaced with the legal codes and laws of French and British origin. See Wael Hallaq, *Sharī'a*, 371 ff.

then promulgate an Islamic vision of society.<sup>103</sup> The geopolitical context and timeline of this occurrence is important, since the Hindus and Muslims of India were facing the British Raj as the system of governance that was instituted in 1858. This had an impact on the political socioeconomic landscape in the region.<sup>104</sup> Mawdūdī's understanding of Islam meant adhering to what later became his vision of political Islam, which would encompass his religious doctrinal adherence and political engagement. It was in 1932 that Mawdūdī's politics reiterated his anticolonial stance and later the development and organization of society driven by Islamic norms, which went hand in hand with the religious (spiritual) and economic decline of Muslims under British rule. Yet his political stance was expressed only in 1937 when he arrived in Delhi,<sup>105</sup> where he began commenting on nationalism, Islamic values, and India's politics after its independence from the British. Notably, his political outlook on the state, revivalism, and Islamic principles was entrenched in Western tradition and scholarship. This was evident by his usage of terms for political reformulations, which integrated Western tradition with the Islamic revivalist agenda.<sup>106</sup> Given that Muslim-dominated Punjab was the political heartland of British India, Mawdūdī's anti-colonial voice and his *da'wa* program had repercussions for the political makeup of the region. For Mawdūdī, the project of *Daru-l-Islam*, an educational organization over which he presided, became the objective of Muslim India. It provided the Muslim community a political voice and religious movement. This organization later laid the foundations for the *Jama'at-i Islami*, founded in 1941.<sup>107</sup>

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<sup>103</sup> "This city [Hyderabad] has for some 200 years been the seat of Islamic culture and civilization. Great ulama, men of virtue, generals and courtiers are buried here. . . . What a pity that their legacy is alive in stone [monuments of the city] and dead in the people. . . . In this old Islamic settlement my eyes have searched and found neither a great man of God nor a skilled traditional craftsman. . . . Every search of mine attests to the death of that nation."26 He was so disturbed by what he saw in Hyderabad that he could envision no future that did not include an Islamic revival. Mawdudi gives 1933 as the year when his attitudes changed. Years later he wrote: "I can divide my forty-nine years into two parts. The first thirty was spent in reading, listening, thinking, observing, and experiencing, and also in finding a goal in life. My thoughts are the products of reasoning of all those years of intellectual activity. Then I set my goal to strive in the path of truth, to propagate its cause, and to bring my vision into reality." Cited in Khurshid Ahmad, "Jama'at-i Islami kiya hey, uski zarurat kiya thi," *Haftrozah Zindagi*, November 10-16, 1989, 13, in Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 27, 30.

<sup>104</sup> For more see e.g. John F. Riddick, *The History of British India: A Chronology* (Westport, Connecticut, London: Praeger, 2006); Srinath Raghavan, *India's War: World War II and the Making of Modern South Asia* (New York: Basic Books, 2016); Lawrence James, *Raj: the making and remaking of British India* (New York: St. Martin's Griffin, 1997).

<sup>105</sup> Jamaat-e-islami Pakistan, accessed May 17, 2017, <https://web.archive.org/web/20140418092730/http://jamaat.org/beta/site/page/3>; Seyd Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 31.

<sup>106</sup> "Many of Mawdudi's views were formed in debate, rather than in conformity, with Western sources. His discourse produced an ideological orientation that was indigenous on the surface but was based on the very culture he sought to reject." Seyd Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 33.

<sup>107</sup> Jamaat-e-islami Pakistan, accessed May 17, 2017, [http://jamaat.org/ur/jamaatOrDawat.php?cat\\_id=11](http://jamaat.org/ur/jamaatOrDawat.php?cat_id=11); "The jama'at-i Islami was finally established in August 1941 in Lahore, and from the very beginning, it was the platform

Mawdūdī transitioned from an ideologue to a politician along with the *Jama'at-i Islami*, changing their course from an Islamic movement into a political party and proposing an Islamic constitution in Pakistan.<sup>108</sup> His development of the party's program was interwoven with his political agenda, which was conceived in the Indian political and religious context of the time. At first, the party's orientation was primarily a cultural reassertion that later became more politically and economically oriented as an answer to the colonial usurpation and simultaneous rise of nationalistic tendencies in India. Mawdūdī's perception of colonialism and imperialism was at the beginning primarily a cultural concern against Western ideologies that influenced the political and socioeconomic makeup of India. At first, "he worried less about economic liberation than about preserving dress, language, and customs, for they were essential to safeguarding Muslim culture. Mawdūdī's expositions on Islamic revolution, state, and economics attested to the central role played by the drive for cultural authenticity, what he termed 'intellectual independence.'"<sup>109</sup> Some of Mawdūdī's key interpretations of the Islamic religious concepts, such as *Sharī'a*, Islamic state, *umma*, and *khilāfa* were utilized in intersection with modernity's political and cultural predicaments of a modern state. In this sense, his revivalism meant not only a restructuring of Muslim character, but also of establishing Islamic state institutions and economic program.<sup>110</sup>

Mawdūdī was simultaneously suspicious of democracy and Western political systems as well as in favor of some of its ideas and mechanisms. He perceived the (Islamic) state in ahistorical terms as an ideal archetype, while pursuing the idea of a political entity that would include the Islamic fundamental tenants. He referred to a utopian Islamic state as a theodemocracy, based on the example of Medina, and, on the other, on the political order in Europe. This contradictory political ideology implied Western political ideas compounded with Islamic religious worldview, which integrated Islamic vice-regency and the idea of state sovereignty.<sup>111</sup>

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for Mawdudi's ideas. Especially after the founding of Pakistan six years later, Mawdudi's career as an ideologue ended. His most important and influential works had been published by this time (nineteen of his most noted works on *tabligh* – propagation of religious doctrine – were written between 1933 and 1941) and the years that followed would be dedicated to politics. By then his ideas had already found a niche in contemporary Islamic thought in South Asia and across the Muslim world." Seyyed Reza Vali Nasr, *Mawdudi and the Making of Islamic Revivalism*, 41.

<sup>108</sup> Jamaat-e-Islami Pakistan, accessed May 17, 2017,

<https://web.archive.org/web/20140418092730/http://jamaat.org/beta/site/page/3>; "The Jama'at's ideas and policy positions defined the demands of the Islamic alliance and featured prominently in the debates between the government and the religious divines and parties from 1947 to 1956, when the country's first constitution was promulgated." Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 41.

<sup>109</sup> Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 49.

<sup>110</sup> See e.g. Mawdūdī, *First Principles of the Islamic State* (Lahore: Islamic Publications, 1960).

<sup>111</sup> Mawdudi, *Islamic Law and Constitution*, trans. Khurshid Ahmed (Lahore: Islamic Publications, 1960), 2 f. Roughly stated, Mawdūdī sought to combine Islam as a social system with *dīn* as religion which would give incentive for a creation of a state. "... the problem with Mawdudi is that he does idealize the Islamic state and fails to

The amalgam of the philosophical foundations of Western democracy as the sovereignty of the people with the core ideas of Islam as a religious doctrine made him believe in a social order designated as theo-democracy.

The philosophical foundation of Western democracy is the sovereignty of the people... This is not the case in Islam... Islam, as already explained, altogether repudiates the philosophy of popular sovereignty and rears its polity on the foundations of the sovereignty of God and vicegerency (*khilāfa*) of man. A more apt name for the Islamic polity would be the “kingdom of God” which is described in English as a “theocracy.” But Islamic theocracy is something altogether different from the theocracy of which Europe has had a bitter experience... the theocracy built up by Islam is not ruled by any particular religious class but by the whole community of Muslims including the rank and file. The entire Muslim population runs the state in accordance with the Book of God and the practice of His Prophet. If I were permitted to coin a new term, I would describe this system of government as a “theo-democracy,” that is to say a divine democratic government, because under it the Muslims have been given a limited popular sovereignty under the suzerainty of God.<sup>112</sup>

Hence Mawdūdī’s central aim was to develop a vision of a modern state enshrined in the Islamic narrative wherein the Qur’an and *aḥādīth* play crucial roles.<sup>113</sup> The notion of an Islamic state was relevant to the idea of leading a moral and virtuous life,<sup>114</sup> whereby Islamic terminology was incorporated into the narrative of the modern nation-state based on *shūrā* (Islamic consultation), which indicates his vision of an Islamic society based on religious teachings.<sup>115</sup> Despite the fact that references to an Islamic state were generic in nature, given the absence of national

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take account of its social and cultural milieu and development. The very thought that Islam could have been influenced by something outside of Islam was inconceivable for Mawdudi.” Roy, Jackson, *Mawlana Mawdudi and Political Islam*, 86.

<sup>112</sup> Mawdudi, *Islam: Its Meaning and Message*, 158-161 in John Donohue and John Esposito (eds.), *Islam in Transition*, 254.

<sup>113</sup> Mawdudi, *Islamic Law and Constitution*, 4 f.

<sup>114</sup> “This is best expressed in Mawdūdī’s ‘trinity’ of religion (*iqamat-i din*), virtuous leadership (*imamat-i salihah*) and divine government (*hukumat-i ilahiyah*). The continuity between Islam and politics was, for Mawdudi, like the relation of ‘roots with the trunk and the branches with the leaves [of a tree]’, for, ‘In Islam the religious, the political, the economic, and the social are not separate systems; they are different departments and parts of the same system’.” Mawdudi, *Islamic Economic System: Principles and Objectives* (Delhi: Markazi Maktabah Islami, 1980), 20, 21 in Roy, Jackson, *Mawlana Mawdudi and Political Islam*, 128.

<sup>115</sup> This is based on the Qur’anic paradigm of “promoting the good and forbidding the evil.” Mawdūdī, *First Principles of the Islamic State*, 30 ff. On his critique of socialism and limited support of capitalist’s idea of private property, see Mawdūdī, *Capitalism, Socialism, and Islam* (Kuwait: Islamic Book Publishers, 1977), 40.

boundaries and the reinforcement of the idea of the *umma* as Islamic community, the very idea of an Islamic state for Mawdūdī meant a practical as well as an ideological and moral (religious) entity. Furthermore, even though he promoted an Islamic state with a universal and all-embracing character, his idea of a state as an instrument of reform indicates methodological inconsistencies based on an ideological rationale.<sup>116</sup>

For Mawdūdī, the Islamic state would comprise of the legislature, the executive, and the judiciary branches, wherein the ruler would be bound to the laws of God.<sup>117</sup> Yet his vision of the modern ruler would be incomparable to the role of the caliph, for the latter was to be responsible to the state as well as to the nation.<sup>118</sup> Despite his criticism of nationalistic tendencies and his support for transnational Islamic unity and universal *umma*, his diminished perception of the 20<sup>th</sup> century sociopolitical and international contexts made him oblivious to the fact that the only possibility of conceiving an Islamic state in the modern period would be through the coercive power of state authority and its apparatus, which deviates from his idealistic vision of society. The idea of the Islamic state was henceforth not a utopian project, but something tangible, wherein the modes of Islamic governance, law, and economics would flourish. Since Mawdūdī opposed any form of nationalism, an Islamic state would function as a cultural, social, and religious entity. Its leadership would be elected, for him meaning a democratic government that was based on Islamic principles of political engagement. In this sense, the democratic process (of modernity) could be Islamized.

As such, Mawdūdī's Islamic revivalism was envisioned as a reaction and adaptation to sociopolitical changes, incorporating political, cultural as well as economic predicaments of Islamic tradition. He endorsed modern social and political thought in order to achieve political and economic strength in Muslim society. Hence, his assimilation of Western thought in Islamic intellectual discourse was crucial to conceiving the modernist trend of Islamic revivalism,<sup>119</sup>

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<sup>116</sup> Mawdudi, *Islam: Its Meaning and Message*, 163-165.

<sup>117</sup> Mawdudi, *Islamic Law and Constitution*, 16 f; "Islamic theocracy is not controlled by a special religious group of people but by ordinary Muslims. They run it according to the Qur'an and Sunna. And if I am allowed to coin a new word, I would call it 'theodemocracy'. It would grant limited popular sovereignty to Muslims under the paramount sovereignty of God. In this [state], the executive and the legislature would be formed in consultation with the Muslims. Only Muslims would have the right to remove them. Administrative and other issues, regarding which there are no clear orders in the Shariah, would be settled only with the consensus of Muslims. If the law of God needs interpretation no special group or race but all those Muslims would be entitled to interpret (ijtihad) who have achieved the capability of interpretation." Mawdudi, *Islami Riyasat* (Lahore: Islamic Publications Ltd., 1969), 130 in Roy Jackson, *Mawlana Mawdudi and Political Islam*, 131. See also Farzin Vahdat, *Islamic Ethos and the Specter of Modernity* (New York, London: Anthem Press, 2015).

<sup>118</sup> Mawdūdī believed that the corrupt reign is the source of political destruction and social destitute. "Korruppte Führung ist die Ursache allen Elends auf dieser Welt." Mawdudi, *Als Muslim leben*, 158.

<sup>119</sup> Mawdūdī differentiated between the process of modernization which he saw as a necessary component of Islamic revivalism and westernization. "The approach of the Islamic movement is to...modernize without compromising on

which became “a vehicle for modernization of Islam and in turn would bring about and sustain a new Islamic order.”<sup>120</sup> This development prompted the process of Islamizing modern sciences,<sup>121</sup> which aimed not only to revive the religion of Islam, but also to reinforce political and economic teachings of Islamic. Such an impetus of reinforcing a sociopolitical and spiritual revivalism aimed to restructure the individual and the community, whereby *dīn* as a religious reality was extended to sociopolitical (and economic) understanding, if it were to preserve and advance the well-being of the Islamic community.

## 4. Islam and Economic System between the 1930s and 1970s

### 4.1. South Asian Muslim Economists

The majority of modern Muslim economists were natives of South Asia, writing primarily in Urdu and English. Islahi notes that the first book on Islamic economics was the 1932 publication of Hifzur Rahman Seoharwi’s *Islam ka Iqtisadi Nizam (The Economic System of Islam)*, a critique of socialism and capitalism, albeit one advocating an Islamic economic system. More than a decade later, the second most important book on the subject would be published in 1945, *Islami Ma’shiyat (Islamic Economics)*, by Manazir Ahsan Gilani from Hyderabad.<sup>122</sup> In between this period were publications in English by Anwar Iqbal Qureshi, *Islam and the Theory of Interest*, and Shaikh Mahmud Ahmad’s *Economics of Islam: A Comparative Study* in 1938, which was followed by Muhammad Hamidullah’s writings on similar topics in Urdu and English.<sup>123</sup> Despite the relative importance of their works and the nuances in their writings, the scholarly corpus on Islamic economics was formed into a discipline only in the 1970s, manifest

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Islamic principles and values.” Khurshid Ahmad, “The Nature of Islamic Resurgence,” *Voices of Resurgent Islam*, ed. John L. Esposito (New York, 1983), 224.

<sup>120</sup> Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 51.

<sup>121</sup> “The rejection of Western culture while appropriating its tools of progress was the cornerstone of Islamic revival. He sought to appropriate modern scientific thought and Islamize it; they accepted modern scientific thought and attempted to interpret Islam according to it. The modernists wanted to modernize Islam whereas Mawdudi wanted to also Islamize modernity. The distinction was enough to permit Mawdudi to inveigh against his modernist rivals.” Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 52. See also Fazlur Rahman, *Islam and Modernity*; Charles J. Adams, “The Ideology of Mawlana Mawdudi,” *South Asian Politics and Religion*, ed. Donald E. Smith (Princeton: Princeton University Press, 1966).

<sup>122</sup> Abdul Azim Islahi, “The Genesis of Islamic Economics,” *Islamic Economic Studies*, Vol. 23, No. 2, (2015): 15.

<sup>123</sup> Abdul Azim Islahi, “The Genesis of Islamic Economics,” 16.

in an institutional, bureaucratic and educational systematization of the discipline.<sup>124</sup> This further illustrates that it was not Mawdūdī who coined the term “Islamic economics” (what would in Urdu be translated as *Islāmī ma‘āshīāt*), since he referred to *ma‘āshī nīzām* as an “economic system.” Moreover, it was certainly not only Mawdūdī who pursued the idea of Islamic economics as a distinct economic system.<sup>125</sup> Yet, as indicated above, he did establish the popular discourse of political and religious engagement for an Islamic vision of state and society. This ideological discourse also consisted of an economic philosophy that was pertinent to the lives of Indian Muslims at the time.<sup>126</sup> His theoretical writings were later developed by the following generations of Muslim economists.<sup>127</sup>

Khurshid Ahmad, a respected economist of Islam and one of Mawdūdī’s students, transmitted, edited, and published his teachings on economics in Islam.<sup>128</sup> Muhammad Hamidullah, a Pakistani scholar who wrote in Urdu, Arabic, German, French and English, began his writings on Islamic economics as early as the 1930s.<sup>129</sup> According to Islahi, it was Hamidullah who coined the term “Islamic economics.”<sup>130</sup> Originally from Haidarabad,

<sup>124</sup> Islahi, as a response to Timur Kuran’s critique of Islamic economics being politically motivated, maintains that Islamic economics did not develop only to support political Islam. Abdul Azim Islahi, “The Genesis of Islamic Economics,” 17.

<sup>125</sup> See Arshad Zaman, “Mawlana Mawdudi and the Genesis of Islamic Economics,” (paper presented at The Ninth International Conference on Islamic Economics and Finance, Istanbul, Turkey, November 9-11, 2013), 2. On the contrary, Rodney Wilson and Timur Kuran claim that it was Mawdūdī who coined the term Islamic economics. “Mawdūdī term ‘Islamic economics’...” Rodney Wilson, “The Development of Islamic Economics,” *Islamic Thought in the Twentieth Century*, eds. Suha Taji-Farouki and Basheer M. Nafi (London: I.B. Tauris, 2004), 197. “In addition to ‘Islamic economics’, Mawdudi coined or popularized many other terms that quickly became key elements of Islamist discourse, including ‘Islamic ideology’, ‘Islamic politics’, ‘Islamic constitution’, and ‘Islamic way of life’.” Timur Kuran, “The Genesis of Islamic Economics: A Chapter in the Politics of Muslim Identity,” *Islam & Mammon* (Princeton: Princeton University Press, 2004), 84.

<sup>126</sup> “Mawlāna Mawdūdī developed a unified political philosophy, and a practical programme of action.” Arshad Zaman, “Mawlana Mawdudi and the Genesis of Islamic Economics,” 8.

<sup>127</sup> “Mawdūdī’s writings and speeches profoundly influenced a new generation of professional economists in the Indian sub-continent who sought to reconcile Islamic teachings with the ideas and concepts they had acquired through their economic training...” Rodney Wilson, “The Development of Islamic Economics,” 196.

<sup>128</sup> Khurshid Ahmad also edited and compiled Mawdūdī’s writings in English from the original 1969 Urdu compilation. In the introduction, he states that “It was in the 1960s that I felt the need to compile a book, which would bring together all his essential writings on Islamic economics, so as to make his thought available in one volume. This need had gained more urgency because of a national debate in Pakistan on the future shape of the economy in the country, which was caught between the conflicting demands of the emerging capitalist system in the country and its critique from writers on the left. It was in the context of this national debate that Islamic economics moved into the centre of the political discourse.” Sayyid Abul A‘lā Mawdūdī, *First Principles of Islamic Economics*, ed., Khurshid Ahmad, xxxii. See also Khurshid Ahmad, *The Religion of Islam* (Lahore: Islamic Publication, 1960 and 1979).

<sup>129</sup> Muhammad Hamidullah, “Islam’s Solution of the Basic Economic Problems: The Position of Labour,” *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014).

<sup>130</sup> Islahi, “Hamidullah: Life and Works,” *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 19.



Hamidullah stated that the region continuously had Islamic rule. “Dynasties changed and wars came, yet its independence was always preserved, until 1948.”<sup>131</sup> The nationalization of currency and interest-free landing banks were long known to the region. In 1891, the first-known step was taken in this direction, when the *Mu’ayyid al-Ikhwān* society was founded by a local mystic, Sayyid ‘Umar Qadiri. In 1902 another society, *Mu’īn al-Muslimīn*, was established, which organized interest-free deposits of money, on the basis that its members paid a certain amount in order to purchase shares.<sup>132</sup> This marks the beginning of how interest-free loans were issued in South Asia. In 1913, however, the Haidarabad government instituted co-operative lending societies modeled according to a Western form, allowing interest-free societies to be registered at the department of state.<sup>133</sup> Thus, the Haiderabad ‘*ulamā*’ had extensive experience with issuing inheritance laws, prohibition of interest, and commercial transactions. Hamidullah himself met with the Pakistani government in 1948 to draft a new constitution for the newly established state.<sup>134</sup> In 1949, he also participated in the Board of Islamic Education of Pakistan. Similar to other Muslim economists, he refers to the scriptural sources of Islam in stating that the theocratic fundamentals of Muslim polity deny an absolute state ownership.<sup>135</sup> Hamidullah maintained that both laissez-faire and socialist economic systems are untenable extremes, and that Islam offers an attainable solution since it eliminates economic fluctuations.<sup>136</sup>

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<sup>131</sup> Muhammad Hamidullah, “Haidarabad’s Contribution to Islamic Economic Thought and Practice.” *Die Welt des Islams*, New Series, Vol. 4, Issue 2/3 (1955), 73.

<sup>132</sup> Muhammad Hamidullah, “Haidarabad’s Contribution to Islamic Economic Thought and Practice,” 74.

<sup>133</sup> Muhammad Hamidullah, “Haidarabad’s Contribution to Islamic Economic Thought and Practice,” 75.

<sup>134</sup> Islahi, “Hamidullah: Life and Works,” 4.

<sup>135</sup> “Unlike some other systems of law where the individual owns property in lands as a delegated authority or trustee, all land of a territory being vested in the State. Islamic jurists have opined that every individual owner has the same Divine authority, and the supervising authority of the State is only a symbol or a manifestation of the collective authority of the community... All parts of the Muslim territory are under the authority of the Imam (Ruler) of the Muslims, and his authority is the authority of the community of the Muslims.” Muhammad Hamidullah, “Property: An International Islamic Perspective,” *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 94. Also Maḥmūd Tāliqānī (1911-1979), an Iranian cleric and reformer, and a contemporary of the revolutionary leader Ayatollah Ruhollah Khomeini, contested that unlimited freedom of individual ownership is not attainable in Islam, and that material attachments are interrelated to the modes of man’s thought. He further held that Islam has organized ownership around three components – individuals, laws, and state government. See Seyyed Maḥmūd Tāliqānī, *Islām va Mālkiyāt*, trans. Ahmad Jabbari and Farhang Rajaei (Lexington, Kentucky: Mazda Publishers, 1983).

<sup>136</sup> “Another feature of Islamic Economics which goes to solve our problems is that it eliminates the central defect of laissez-faire Economics by prohibiting all economic practices which yield a ‘private net product’ at the cost of the ‘social net product’.” Muhammad Hamidullah, “Islam’s Solution of the Basic Economic Problems: The Position of Labour,” *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 70, 85. First published in *Islamic Culture*, Hyderabad (Deccan), Vol. 10, No. 2 (1936): 213-33.

In analyzing capitalist and communist systems and critiquing them for their materialist exposition of reality, Hamidullah maintains that no existing form of governance is particularly Islamic, and yet all of them could be regarded as such, as long as the protection of the state and its citizens would be guaranteed.

What form of government is truly Islamic? Republican, monarchic, elective, hereditary, universal, regional, unitary, composite, etc., etc. None and practically everyone. I mean to say, Islam simply enjoins upon the Government the duty of protecting the State and its inhabitants and administering impartial justice, no matter what form of Government the Muslims of a time or country choose.<sup>137</sup>

Hamidullah reiterates that any form of government could be Islamic only if it were based on Islamic principles. Even if there are certain similarities between Islam and communism,<sup>138</sup> the two are in essence incompatible. Since the notion of equality and pious behavior are some of the main Islamic principles, according to Hamidullah, Islam opposes class divisions and upholds the idea of unity. According to him, modern Muslim economists are not versed in *fiqh* studies, as much as *fiqh* scholars lack knowledge of economics. The problematic of such a reading is that it displays economic and financial science as interpreted by the dominant voices in Islamic economics.<sup>139</sup> As it will be shown in Chapter Two, literature on contemporary Islamic economics emphasizes ethical economic norms<sup>140</sup> and an interest-free economic system.<sup>141</sup>

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<sup>137</sup> Muhammad Hamidullah, "Islam and Communism," *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 135. First published at Hyderabad Deccan, 1981 in *The Islamic Review*, Vol. XXXVIII, March 1950, 11-15, revised in 1975.

<sup>138</sup> Communism "nationalizes land and the more important means and instruments of production, with many exceptions, as seen above; and this includes also foreign trade as a Government monopoly. Islam does not enjoin this; yet if it is a temporary measure in the interest of the whole community, Islam will not prohibit it either, I suppose." Second, it "allows private property, of course restricted: and even then it includes house, garden, and small fields and farms, not to speak of the movable property and herds of animals. Regarding the permissions, there is nothing against Islam in them. As to the restrictions, if they are temporary and in the interest of the whole community, there will again be no clash with Islam." Muhammad Hamidullah, "Islam and Communism," *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 146.

<sup>139</sup> "Economists (in the modern sens) are not fuqahā', and fuqahā' have no knowledge of economics, in general. Without the combination of the two it is not possible to study Islamic economics. The university came to the help, where the faculty of Muslim Theology, and the School of Economics worked under the same roof (of course together with many other faculties necessary in modern universities." Muhammad Hamidullah, "Haidarabad's Contribution to Islamic Economic Thought and Practice," 78.

<sup>140</sup> Muhammad Hamidullah, "Islam and Communism," *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 141.

## 4.2. Mawdūdī's Economic System

As it is the case with many other modern Muslim scholars, Mawdūdī did not focus in his writings on economics *per se*, but on the wider socioeconomic and political propositions including Islamic economics as an alternative economic discourse.

Mawdūdī is a figure who advanced the notion that Islamic economics is linked to the political and ideological spectrum of the modern Islamic nation-state. The need to modernize Islamic (economic) law due to the constant dynamism of *Sharī'a* was introduced as the prerequisite for an Islamic state, which also involved re-codifying by-laws. His writings on economics were not systematized in a field but rather scattered and closely related to the concepts of *dīn* and the Islamic state. "The Pakistan movement was an expression of Muslim India's firm desire to establish an Islamic State. The movement was inspired by the ideology of Islam and the country was carved into existence solely to demonstrate the efficacy of the Islamic way of life."<sup>142</sup> Despite the distinct features of an Islamic economic system as an alternative model to both capitalism and socialism, its moral imprint, and *Sharī'a*-stipulated economic behavior, Mawdūdī's economic discourse remained confined to the mechanisms of free market.

Still, his *Economic Problem of Man and its Islamic Solution* has been cited as being the first book on Islamic economics – though, as previously mentioned, he never used the term "Islamic economics," but rather "economic system of Islam." Even though the book was published in 1955, there were several other texts published on Islamic economics preceding it.<sup>143</sup> Translated into English, it elaborated his theological, legal, social, and political opinions of an Islamic society and state, making him one of the most prominent representatives of Islamic economics. In it, Mawdūdī stresses that man is also a moral and spiritual being.<sup>144</sup> He rightly assessed that an economic problem is hence not only economic in nature, but it is also relevant to

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<sup>141</sup> Muhammad Hamidullah, "Islam and Communism," 150. See also Muhammad Hamidullah, "The Economic System of Islam," *Muhammad Hamidullah and His Pioneering Works on Islamic Economics*, ed. Abdul Azim Islahi (Jeddah: Islamic Economics Institute, King Abdulaziz University, 2014), 181-196. The article appeared as chapter 10 (pages 121-133) of Hamidullah's book *Introduction to Islam* (Paris: Centre Culturel Islamique, 1957; second edition 1969).

<sup>142</sup> Mawdūdī, *Islamic Law and Constitution*, 11; "Mawdudi's position was based on classical sources, which he interpreted conservatively in keeping with the position of the ulama. Because the Islamic state was the panacea for all sociopolitical problems, all other movements were unnecessary and redundant. This conservatism, combined with his horror of socialism, shaped his response to all social and economic problems." Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 105.

<sup>143</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution* (Lahore: Markazi Maktaba Jama'at-e-Islami Pakistan, 1955), 59, 60.

<sup>144</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 8.

morality, culture, and society,<sup>145</sup> for human being's economic standpoint only reflects the (lack of) moral, spiritual, sociological, and political (dis)equilibrium. The reason for man's economic problems originates from human selfishness, one that "exceeds the limits of moderation"<sup>146</sup> and extends to the issue of wealth and ownership. Private ownership is licit when entangled with a political system that fosters human goodness and social justice. What remains responsible for the social malaise is, however, the degradation of man to a selfish consumer who is centered in the material world.

Furthermore, *Economic Problem of Man and its Islamic Solution* discusses his views on communism and capitalism, the former which treats an economic problem as the central issue of human life and hence lacks a scientific attitude toward economic problem of man.<sup>147</sup> As a centralized system of the means of production, it indicates that in practice a small executive body runs the collective ownership.<sup>148</sup> On the other hand, for Mawdūdī, capitalism encourages an illicit means of acquisition of wealth and stockpiling of money. The Islamic solution is incongruent to economic behavior alone, and must be linked with the moral transformation of society.<sup>149</sup> The so-called "Islamic economic system" is based both on Qur'anic predicaments and on objectives such as personal freedom, moral and material progress, and justice.<sup>150</sup> Concerning those objectives, Islamic economic principles are preserved through the parameters of private ownership, the value of labor, institution of *zakāt*, interest-free economy, and interrelationship between economic, political, and social systems.<sup>151</sup>

Mawdūdī aims to discourage the delinking of economics from religion and morality.<sup>152</sup> Yet, his usage of Islamic order or economic system must be understood within the broader context of the Islamic vision of life, as inextricably related to sociopolitical development. Linking economic postulates in Islam with a sociopolitical vision not only generates a distinct ideological characteristic of such economics, but also places it within the secular methodology and the nation-state-centered paradigm. He writes:

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<sup>145</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 11.

<sup>146</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 19-20; Sayyid Abul A'la Mawdūdī, *First Principles of Islamic Economics*, 9.

<sup>147</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 43.

<sup>148</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 37-38.

<sup>149</sup> Sayyed Abulala Maudoodi, *Economic Problem of Man and its Islamic Solution*, 46.

<sup>150</sup> Sayyid Abul A'la Mawdūdī, *First Principles of Islamic Economics*, 88-90.

<sup>151</sup> "It is a system that evolve out of Faith in the Oneness of God and the Finality of Prophethood. It is out of this root that emerges the system of moral conduct, the system of Divine Worship, the economic system and the political system." Sayyid Abul A'la Mawdūdī, *First Principles of Islamic Economics*, 101; see also 91-102.

<sup>152</sup> They highlighted, for instance, that the principle of money plays only an intermediary role, and is not an objective in itself as it is in capitalism. Khurshid Ahmad, xviii, xxix in Sayyid Abul A'la Mawdūdī, *First Principles of Islamic Economics*.

In order to recodify the economic laws, we have to look first at the economic scenario of the modern world and carefully study the modern methods of economic and financial transactions. We have to understand the underlying forces governing economics activities, learn about the various concepts and principles at work and the practical shapes that they are taking. We then have to see how to categorize the changes that have taken place in the field of economy and finance from the Islamic legal perspective, and how to frame rules that can be applicable to these categories; all this time, we must also be in accord with the dictates of the *Sharī‘a*, its legal vision and its objectives.<sup>153</sup>

The discrepancies between Muslim religious scholars and economists’ theories of Islamic economics as being based on the moral predicaments of *Sharī‘a*, and the factual application of those theories within the dominant economic paradigm, exemplifies the structural inconsistencies of merging Islam and modern economics. It also illustrates a process of a gradual yet forceful applicability of Islamic economic theories within the systemic confinements of the nation-state. Even though Mawdūdī states that capitalism and secular democracy are one of the biggest deceptions of modern times, to which humanity is being subjected,<sup>154</sup> his vision of an Islamic society (of Pakistan), which also entails an Islamic economic system, would be structurally possible only within the *modern Islamic nation-state*. This entity would have all the corresponding systemic, bureaucratic, administrative, political, and economic configurations, re-appropriating the Western state conditions.<sup>155</sup>

## 5. Islamization of Knowledge Process and Contemporary Islamic Thought

The Islamization of knowledge (IOK) process shaped the understanding of modern intellectual orientations in Islam; thus, it is pivotal to understanding the project of contemporary Islamic economics. The majority of Muslim economists that will be presented in the second chapter

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<sup>153</sup> Sayyid Abul A‘lā Mawdūdī, *First Principles of Islamic Economics*, 265; see also 260-26.

<sup>154</sup> Sayyid Abul A‘lā Mawdūdī, *First Principles of Islamic Economics*, 230.

<sup>155</sup> What it will be evident in due time of Pakistan’s Islamization process, is also the restructuring of the juridical and economic systems, some of them proposed also by Mawdūdī. The measure to reform the country’s economic system, is to legally ban interest, carry out accountability for the rich in light of Islamic principles, abolish feudal landholdings, reduce ownership right of land to a certain limit, replace the banking system as the brainchild of capitalism with the Islamic foundations of *mushāraka*, organize the system of *zakāt*, etc. Sayyid Abul A‘lā Mawdūdī, *First Principles of Islamic Economics*, 249.

situate their theories within the framework of IOK. This thesis understands the Islamization of knowledge as the epistemological, scientific, and educational field of study that emerged in the 1970s with Isma'il al-Faruqi's and Muhammad Naquib al-Attas's conceptualizations of recuperating and reassessing the role of knowledge in Islam, despite their methodological and epistemological differences.<sup>156</sup> Their works had an impact on the curriculum and methodology of Islamic educational institutions and centers, including Islamic economic institutions. One of the main aims of IOK was the epistemological reimagining of the Islamic legacy and reverting the lost knowledge according to an Islamic worldview.<sup>157</sup> This, as we shall see below, prompted the advancement of contemporary Islamic economic theories from Western-trained scholars who were primarily based in Malaysia, Pakistan, and Saudi Arabia. According to Ṭaha Jābir 'Alwānī, IOK is not to be considered as a set of axioms or an ideology, but rather as a methodology of knowledge, rooted in an Islamic worldview.<sup>158</sup> Proponents of the IOK perceive the spread of Western knowledge and secularism as the fundamental philosophy for modern Islamic sciences as one of the root causes for the malaise of modern Muslim societies. Some amongst them argue for a synthesis of Islamic heritage and modern Western knowledge in order to achieve the scientific status of Islamic disciplines, such as Islamic economics.

The way society formulates and understands knowledge is inseparable from the usage of language and ideas expressed in that very language.<sup>159</sup> The concept of knowledge provides for the birth of different disciplines, educational philosophy, and institutions. In Islamic tradition, multiple types of *'ilm* (loosely translated as knowledge) exist, including revealed knowledge (*al-wahy*), derived or acquired knowledge,<sup>160</sup> and branches of knowledge based on both the divine knowledge and on the human intellect. Many modern Muslim scholars refer to the principles of knowledge comprised of *tawhīd* as unity of creation, *wahy* as revelation, and *'aql* as human reason.<sup>161</sup> From such a perspective, knowledge is imbued with the construction of a personality or an agent (in economic terms, *homo Islamicus* as an opposition to *homo economicus*) within a

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<sup>156</sup> Isma'il al-Faruqi (1921-1986) was a prominent Palestinian-American scholar of Islam and the founder of the International Institute for Islamic Thought (IIIT) in Herndon, Virginia. Muhammad Naquib al-Attas (b. 1931) is a contemporary Muslim philosopher from Malaysia who pioneered the idea of Islamization of knowledge.

<sup>157</sup> Isma'il al-Faruqi, *Islamization of Knowledge* (Herndon, VA: IIIT, 1989), 39-47.

<sup>158</sup> See Ahmad S. Moussalli "Islamism: Modernization of Islam, or Islamization of Knowledge," *Cosmopolitanism, Identity and Authenticity in the Middle East*, ed. Roel Meijer (London and New York: Routledge, 1999).

<sup>159</sup> See Seyyed Hossein Nasr, *Knowledge and the Sacred* (New York: State University of New York, 1989), 43; Wael Hallaq, *Shari'a*, 1-6; Muhammad Naquib al-Attas, *Prolegomena to the Metaphysics of Islam* (Kuala Lumpur: ISTAC, 2001), 20.

<sup>160</sup> On the notion of *'ilm* see; on the history of knowledge and sciences in Islam see Osman Bakar; Seyyed Hossein Nasr, *Knowledge and the Sacred* (New York: State University of New York, 1989).

<sup>161</sup> For the classification of knowledge in the Islamic tradition see e.g. Osman Bakar, *Classification of Knowledge in Islam* (Cambridge: Islamic Texts Society, 1998).

particular worldview. According to the proponents of the IOK, this translates into a rejection of Western sciences due to different conceptual and epistemological sources of knowledge.<sup>162</sup>

In what follows, I discuss how individual scholars like al-Faruqi and al-Attas envisioned to correct and implement Islamization process of scientific disciplines in order to reconcile Islamic tradition and modernity, and to further the scientific method in a way that will be in accordance with Islamic normativity.

### 5.1. Isma'il al-Faruqi's Division of Islamic Sciences

Islamization of academic discourse in the 20<sup>th</sup> century is linked to some of the political decisions made by Islamists who espoused an antithetic vision of a modern Islamic nation state. Much of the unease among the intelligentsia of the *ummah* was because Muslims “were secularized, westernized, and de-Islamized by internal and external agents.”<sup>163</sup> Contemporary Western-trained Muslim economists advanced the idea of an Islamic society and Islamic economic agent on the grounds of an Islamic, politically independent and economically viable system.

Since contemporary knowledge had undergone a process of secularization and westernization, al-Faruqi, unlike al-Attas, sees IOK as a process that can contest the Eurocentric knowledge that has been universalized.<sup>164</sup> Al-Faruqi defines Islamization process as applying a new knowledge into the Islamic intellectual corpus,<sup>165</sup> rooted in the *tawhīd* epistemology. Yet IOK presents only one type of knowledge, and “a way and a method to formulate a methodological, scientific, mental approach to humanities, social sciences, and applied sciences.”<sup>166</sup> One of its aims, which targets contemporary knowledge, is to expand the methodology due to the shortcomings of traditional Islamic sciences.<sup>167</sup> Al-Faruqi sets up the Islamization plan founded on several objectives, which include efforts to increase awareness among the *umma* of the crisis of ideas; to revive the lost ideology; to define the relationship between the failure of Islamic thought and its methodology; to adopt Islamic methodology in the field of social sciences; to master modern disciplines and Islamic history; to establish a bridge

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<sup>162</sup> Apart from the different sources of knowledge, the objectives and branches of knowledge are also being discerned and appropriated in a distinct way in Islamic and Western epistemologies. Muhammad Amin, *An Analytical Appraisal of Islamization of Knowledge* (Lahore: Safa Educational Reforms Trust Pakistan, 2009), 17.

<sup>163</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 1.

<sup>164</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 36.

<sup>165</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 30.

<sup>166</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 85.

<sup>167</sup> Al-Faruqi holds that the classical scholarship abandoned *ijtihād* since they perceived *Sharī'a* as being in a perfect state. Since *fiqh* as a closed system presented a stalemate, Muslims sought to overcome the difficulties through *teşawwuf*. Isma'il al-Faruqi, *Islamization of Knowledge*, 23-25.

between Islamic and modern knowledge; and to launch a trajectory of knowledge that would fulfil the divine message.<sup>168</sup> In order to achieve those objectives of IOK plan, certain steps should be taken: for instance, mastering and critically evaluating modern and classical disciplines; analyzing the current problems of the *umma*; disseminating Islamized knowledge,<sup>169</sup> and producing university-level texts books to recast the modern disciplines as imbued with Islamic vision.<sup>170</sup> A central task would be to integrate the two systems, instilling an Islamic vision through political, cultural, social, and educational platforms. Moreover, Islamic educational systems would be established, consisting of elementary and secondary schools, colleges, and universities,<sup>171</sup> which would be instrumental for the dissemination for the Islamization of Islamic economics.

Along with al-Faruqi, Muhammad Naquib al-Attas is the main representative of the IOK process in Malaysia, who espoused the theory of Islamization through the study of Islamic intellectual history and *taṣawwuf*.

## 5.2. Muhammad Naquib al-Attas and the Metaphysics of Islam

Al-Attas maintains that knowledge as such is never value-neutral, but rather it is influenced by the religious, moral, social, and cultural worldview of the society in which it emerges.<sup>172</sup> In spite of Western disciplines not accepting the Islamic sources or division of knowledge,<sup>173</sup> the IOK process consequently means assimilating Islamic knowledge from within its own epistemology into the modernist discourse, which shaped in part the discipline of Islamic economics. As a result, in the modern period Muslim scholars amalgamated Western culture and knowledge with their own tradition, procuring a Cartesian dualism embedded in different worldviews and ideologies.<sup>174</sup> According to al-Attas, Islamization involves the Islamization of language, since language is closely related to man's worldview. He maintains that the IOK is the inclusion of

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<sup>168</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 57-58.

<sup>169</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 57-82.

<sup>170</sup> By Islamic values, al-Faruqi means the usefulness of knowledge, nurturing the divine patterns, building culture and civilization, based on virtues of piety and righteousness. The concepts and methodology used to disseminate the Islamization of knowledge consists of intellectual, academic, educational, cultural, administrative, and research-based preparations of the institute's cadres. Isma'il al-Faruqi, *Islamization of Knowledge*, 19-20, 60-79. For the division of Islamized disciplines see a detailed study 'Abdul Ḥamīd A. Abū Sulaymān, "Maḥāḥīm fī I'ādat Binā' Manhajīyat al-Fikr al-Islāmī al-Mu'asir (Concepts of Reconstruction – Methodology in Contemporary Muslim Thought)," *Islamization of Knowledge* (Herdon: IIIT, 1989), 31-68.

<sup>171</sup> Isma'il al-Faruqi, *Islamization of Knowledge*, 13-14.

<sup>172</sup> Muhammad Amin, *An Analytical Appraisal of Islamization of Knowledge*, 5.

<sup>173</sup> Muhammad Nauqib al-Attas, *Islam, Secularism and the Philosophy of Future* (London, New York: Mansell, 1985), 128.

<sup>174</sup> Al-Attas, *Islam and Secularism*, 36 and 134-135.



knowledge from its interpretations based on secular logic.<sup>175</sup> Al-Attas holds that the deletion of foreign concepts within the Western tradition from Islamic legacy – such as the philosophy of dualism and secular logic – is a precondition for successful process of Islamization, whereby the category of knowledge becomes fundamental not only to the Islamic tradition, but to any real modern education. In the traditional Islamic worldview, knowledge was encapsulated in the open-ended *farḍ kifāya* knowledge, which includes the natural, physical and applied sciences, and the *farḍ ‘ayn*, the absolute nature of the knowledge pertaining to God and the spiritual realities and moral truths.<sup>176</sup> *Farḍ ‘ayn* knowledge is dynamic, increasing in accordance to the spiritual and social responsibilities of a person. Contemporary modern knowledge is, however, delivered from its interpretations based on secular ideology, which requires

a critical examination of the methods of modern science; its concepts, presuppositions, and symbols; its empirical and rational aspects, and those impinging upon values and ethics; its interpretations of origins; its theory of knowledge; its presuppositions on the existence of an external world, of the uniformity of nature and of the rationality of natural processes; its theory of the universe; its classification of the sciences; its limitations and inter-relations with one another of the sciences, and its social relations.<sup>177</sup>

However, for al-Attas, *ma‘rifah*<sup>178</sup> as *a priori* knowledge does not need to undergo an Islamization process since it is inherently Islamic, this is why al-Attas refers to the term “Islamization of present-day knowledge” as *aslamat ‘ulūm al-mu‘āṣirah* or *Islāmīyatul ‘ulūm al-mu‘āṣirah*.<sup>179</sup> Science is hence regarded as a form of *ta’wīl* or allegorical interpretation of the empirical reality that constitute the natural and cosmological world,<sup>180</sup> whereas religion is constituted as an established law (*Sharī‘a*) and truth (*haqīqa*).<sup>181</sup>

<sup>175</sup> Al-Attas, *Islam and Secularism*, 44.

<sup>176</sup> Al-Attas, *Islam and Secularism*, 84.

<sup>177</sup> Al-Attas, *Prolegomena to the Metaphysics of Islam*, 114.

<sup>178</sup> “*Ma‘rifah* as ‘knowledge’ is both right cognition (*‘ilm*) and right feeling or spiritual mood (*ḥāl*); and the former, which marks the final stages of the spiritual ‘stations’ (*maqāmāt*), precedes the latter, which marks time beginning of the spiritual ‘states’ (*ahwāl*). So *ma‘rifah* marks the spiritual transition – point between the spiritual station and the spiritual state.” Al-Attas, *Islam and Secularism*, 71.

<sup>179</sup> Al-Attas, *Islam, Secularism and the Philosophy of Future*, 127.

<sup>180</sup> Al-Attas, *Islam and the Philosophy of Science*, 116.

<sup>181</sup> Al-Attas argues that the constituent components of the fundamentals of Islamic metaphysics are the primacy of the reality of existence; the dynamic nature of this reality; determination, and individuation; the perpetual process of the new creation; the absence of a necessary relation between cause and effect and its explanation in the Divine causality; the third metaphysical category between existence and non-existence (the realm of the permanent entities); and the metaphysics of change and permanence pertaining to the realities. It is within the framework of this

Al-Attas expounded the notion of *adab*, which he translated as “right action,” and was determined to be one of the central terms of his philosophy of Islamization. *Adab* is closely linked to *kashf* as one source of knowledge and springs from self-discipline, which has an intrinsic connection to knowledge. ‘*Adl* (justice) is the condition of things in their proper places that have been lost through *adab* in the Muslim world.<sup>182</sup> In the context of various disciplines and fields of scientific inquiry, education is acquired knowledge only if it includes morality and moral purposes, also called *adab*.<sup>183</sup> Islamization is hence the recalibration and reintegration of *adab* into the Muslim social fabric. The disintegration of *adab* in Muslim societies occurred due to both the corruption of knowledge<sup>184</sup> and the blind adaptation of Western patterns of education, which impacted the theory of knowledge of sciences. This was inextricably related to the “secularization process” in Western societies, which allotted moral postulates from scientific inquiries. Al-Attas has thus been advocating the process of purifying Islamic knowledge, its epistemology, and sciences from Western concepts – processes that have been integrated in the very composition of the Muslim perception of the world. In order to reintegrate Islamic concepts into the Muslim worldview, one has to reexamine and analyze the fundamental terms within Islamic tradition as manifestations of theory and practice.<sup>185</sup> This entails isolating key Western concepts from a modern vocabulary such as secularism, humanism, and dualism – and infusing them with an Islamic epistemology.<sup>186</sup>

Below, the case study of Pakistan and its Islamization processes will be briefly presented explaining how the Islamization of its state economy was introduced and how Islamic finances were established in a modern Islamic state.

## 6. Islamization of Islamic Economy (1979 – present)

### 6.1. Islamization of Pakistan’s Economy

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metaphysics that the philosophy of science must be formulated. Al-Attas, *Islam and the Philosophy of Science*, 35-36.

<sup>182</sup> Al-Attas, *Islam and Secularism*, 105-110, 149-152. The first edition of the book was published in 1979.

<sup>183</sup> “Education, then, is the absorption of *adab* in the self... *Adab*, concisely defined, is the spectacle of justice (‘*adl*) as it is reflected by wisdom (*ḥikmah*).” Al-Attas, *Prolegomena to the Metaphysics of Islam*, 16, 17.

<sup>184</sup> Al-Attas, *Prolegomena to the Metaphysics of Islam*, 19.

<sup>185</sup> One example is the word *dīn* in English simply translated as “religion.” Al-Attas contests that *dīn* connotes much broader and profounder understanding of Islam, and can be translated as indebtedness, submissiveness, judicial power, and natural inclination or tendency. Muhammad Naquib al-Attas, *Prolegomena to the Metaphysics of Islam*, 42; al-Attas, *Islam and Secularism*, 52.

<sup>186</sup> Al-Attas, *Islam and Secularism*, 43, 130.

The creation of Islamic finances and banking, as well as the emergence of Islamic universities in Pakistan, Malaysia, and elsewhere, and the demand for educational curriculums and religious education, went hand in hand with the ideology of Islamic economics as part of the restructuring of modern Muslim societies. Islamization involved social, political, cultural, and economic reforms, encompassing finances and economic transactions. Financial institutions were created across the Middle East, North Africa, and Southeast Asia. In many respects, the process of Islamization was easier to accommodate in economics than in other fields, providing an Islamic legitimacy to national economic and political decisions.<sup>187</sup>

The secular postcolonial states such as Pakistan and Malaysia adapted a unique path to the development of Islamic economics as an idea and institution, based on religious identity that was eventually incorporated as a state ideology during the transition from a secular to Islamic state.<sup>188</sup> The institutional flourishing of Islamic economics occurred gradually and systematically. In the case of Pakistan, General Arif, a member of its military forces, stated that Pakistani state power and sovereignty ultimately had to be addressed within the parameters of God.<sup>189</sup> Eventually, the Islamic state of Pakistan<sup>190</sup> was at the forefront opposing the secular logic of the postcolonial state, when Muhammad Zia ul-Haq, a Pakistani four-star general and 6<sup>th</sup> President of Pakistan, eliminated interest from three financial institutions in 1979. This was also an opposition move to his predecessor, Prime Minister Zulfikar Ali Bhutto and to his programme of nationalization and land reform. The 1979 declaration of the Pakistani government transferred the country's economic system to an Islamic economy, which was the first attempt to implement "Islamic economic principles" into real economic policies, implementing an Islamic taxation system, the institution of *zakāt*, and the elimination of *ribā*.<sup>191</sup> Modern and Islamic education systems would

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<sup>187</sup> Mahathir Muhammad, "Islamization of Knowledge and the Future of the Ummah," in *Toward Islamization of Disciplines* (Herndon, VA: IIIT, 1995), 9-12.

<sup>188</sup> Vali Nasr, "Islamization, the State and Development," in *Islamization and the Pakistani Economy*, ed. Robert M. Hathaway and Wilson Lee (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2004), 91-100.

<sup>189</sup> General Khalid Mahmud Arif, *Working with Zia: Pakistan's Power Politics, 1977-88* (Karachi: Oxford University Press, 1995), 79.

<sup>190</sup> In 1979, the military regime of Pakistan promulgated the corporal punishment in place of the British criminal code. The Islamization of the judiciary and state apparatus was designed to produce a legal system that would prompt political and economic reforms and replace the Anglo-Saxon codes and laws. See e.g. Afzal Iqbal, *Islamisation of Pakistan* (Lahore: Vanguard, 1986).

<sup>191</sup> General Khalid Mahmud Arif, *Working with Zia: Pakistan's Power Politics, 1977-88* (Karachi: Oxford University Press, 1995); Khurshid Ahmad, "Islamizing the Economy: The Pakistan Experience," in *Islamization and the Pakistani Economy*, ed. Robert M. Hathaway and Wilson Lee (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2004), 40-42; Charles H. Kennedy, "Pakistan's Superior Courts and the Prohibition of Riba," in *Islamization and the Pakistani Economy*, ed. Robert M. Hathaway and Wilson Lee (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2004), 102.

coexist as long as they were infused with Islamic values. The establishment of the International Islamic University of Islamabad and the International Islamic University in Kuala Lumpur sought to provide the state with modern, albeit religiously stipulated, knowledge and a workforce that would cope with the modern economy. As such, Pakistan Islamization efforts were thorough on societal, juridical, and economic levels, assuring that a particular ideological strand met political ends. However, due to various factors, the Pakistani state was unable to assert the same level of political hegemony unlike that which was established in Malaysia.<sup>192</sup>

Pakistan turned to Islamization in order to consolidate political control and state formation.<sup>193</sup> In both Pakistan and Malaysia, when the establishment of state apparatus and national economy were still in their early stages,<sup>194</sup> the process of Islamization, which happened in 1977 and 1981 respectively, enabled a political hegemony over national identity and economic development.<sup>195</sup> Pakistan continued the colonial project's governing systems, interweaving hegemonic policies, modernization process, and formations of secular governments in accordance to the European notion of sovereignty,<sup>196</sup> while implementing Islamic economy; in brief, they replicated similar state operations. The political institutions and social structures inherited from colonial powers included a bureaucracy, judiciary, and military, ensuring the promulgation of political conditions that resembled the colonial. Furthermore, the propagation of religious, tribal, and ethnic affiliations by colonial states in the Muslim world facilitated national disunity in the 1970s and 1980s (as was the case of Pakistan and Malaysia) through the political assertion of

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<sup>192</sup> See e.g. Radia Abdul Kader and Mohamed Ariff, "The Political Economy of Islamic Finance: The Malaysian Experience," in *Islamic Political Economy in Capitalist Globalization: An Agenda for Change*, eds. Masudul Alam Choudhry, Abdad M. Z., and Muhammad Syukri Salleh (Kuala Lumpur: IPIPE, 1997).

<sup>193</sup> On the Islamization of Pakistani economy see e.g. Ishrat Husain, "The Economy of Pakistan: Past, Present and Future," in *Islamization and the Pakistani Economy*, ed. Robert M. Hathaway and Wilson Lee (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2004), 11-36; "Islamization is a proactive rather than a reactive process, in which state interests serve as a causal factor." Seyyed Vali Resa Nasr, *Islamic Leviathan*, 6.

<sup>194</sup> See Harold Crouch, *Government and Society in Malaysia* (Ithaca: Cornell University Press, 1996).

<sup>195</sup> The state in the Muslim world emerged not as an organic entity, but rather as inherently colonial project. For more see Timothy Mitchell, "The Limits of the State: Beyond Statist Approaches and their Critics," *The American Political Science Review*, Vol. 85, No. 1 (1991): 77-96; Sami Zubaida, "Islam, the State & Democracy: Contrasting Conceptions of Society in Egypt," *Middle East Report*, No. 179 (1992): 2-10; Lisa Anderson, "The State in the Middle East and North Africa," *Comparative Politics*, Vol. 20, No. 1 (1987): 1-18; James C. Scott, *Political Ideology in Malaysia: Reality and the Beliefs of an Elite* (Kuala Lumpur: University of Malaya Press, 1968).

<sup>196</sup> "Malay domination of the state in Malaysia and the birth of Pakistan were in good measure facilitated by the process of decolonization that was managed by Britain. As a result, Malaysia and Pakistan were born as nation-states in new territorial spaces, but with little in the form of nationalist ideology to support state formation. What existed at independence in the form of nationalism was tied less to the territorial boundaries of the state and more to the ethnic interests of the dominant community. Even then, nationalism had to compete with strong allegiances to competing identities: ethnic identities in Pakistan and fidelity to sultans and Malay states in Malaysia. The state in Malaysia and Pakistan did not replace the colonial state so much as it took over its operation." Seyyed Vali Resa Nasr, *Islamic Leviathan*, 48; Charles H. Kennedy, *Bureaucracy in Pakistan* (Karachi: Oxford University Press, 1987).

Islamism, which was seen as a solution to the crisis of the secular state.<sup>197</sup> The Islamization of state politics in those countries demarcated the adaptation of the postcolonial state apparatus based on the local cultural and social structures.<sup>198</sup> In this regard, Islamism and Islamization ought to be analyzed in light of modernity and secular ideologies. The secularization process in the Muslim world politicized religious tendencies that had an effect on the political landscape.<sup>199</sup> Because of this dichotomy, Pakistan, Malaysia, Iran and other countries experienced an inclusion of religious principles into domestic politics and a gradual decline of secular politics based on colonial administration. In Malaysia and Pakistan, the ruling regimes empowered an Islamic narrative as a political discourse also by drawing new constitutions and establishing state-society relations, which meant also Islamizing economy. Interest-free banking became prominent in the 1980s, especially in Pakistan and Malaysia.<sup>200</sup> In Malaysia, for instance, Islamic finance and interest-free banking were introduced by the government in 1983,<sup>201</sup> leading to the Islamization of educational curricula.<sup>202</sup> Islamizing academic disciplines in order to make them compatible

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<sup>197</sup> “At the critical juncture of 1977–80 in both Malaysia and Pakistan the postcolonial state faced a serious crisis. Its strategies of survival and efforts to shore up state authority and pursue economic development—NEP in Malaysia and the PPP’s populism in Pakistan—had faced resistance. That resistance had parlayed into Islamist activism that threatened state authority and, in the case of Pakistan, came close to debunking the state altogether. State leaders were thus compelled to look for new ways in which to bolster state authority and augment its powers. The task of empowering the state would inevitably become anchored in the ideas and political tools of Islamism, for the decade of Islamist activism greatly affected social norms and values, and the relation of society to the state. Seyyed Vali Resa Nasr, *Islamic Leviathan*, 101; see also Timur Kuran, *Islam and Mammon*, 1.

<sup>198</sup> See Mumtaz Ahmad, “Islamization and the Structural Crises of the State in Pakistan,” *Issues in Islamic Thought*, Vol. 12 (1993): 304-310.

<sup>199</sup> This view is shared by various scholars. For Reza Vali Nasr “Islamism is the product of this dialectic in the postcolonial Muslim world... Islamism was opposed only to the secular ideology of the state, but not to state hegemony its extensive intervention in the economy and society. Islamism at its core supports statism, provided that the state is ‘Islamic’.” Seyyed Vali Resa Nasr, *Islamic Leviathan*, 14.

<sup>200</sup> In Pakistan in the 1980s interest-free banking dominated the financial sector, but accounted for only a fraction of banking services, over 90% of which were carried out by foreign banks. Seyyed Vali Resa Nasr, *Islamic Leviathan*, 123.

<sup>201</sup> “Two nationwide committees were formed to guide Islamic policymaking: Badan Perundangan Islam (Islamic Consultation Board), to recommend Islamic policies; and Lembaga Bersama Penyelarasan Kegiatan Islam, Malaysia (Joint Committee on Management and Implementation of Islamic Activities, Malaysia), to monitor the implementation of all decisions and programs that the government had agreed to establish according to Islamic tenets. New national-level committees were formed to contend with various aspects of Islamization: Majlis Kebangsaan Bagi Hal Ehwal Agama Islam, Malaysia (National Council for Islamic Affairs); Jawatankuasa Kemanjuran Hal Ehwal Agama Islam, Malaysia (Board for the Promotion of Muslim Welfare, Malaysia); Majlis Syura (Consultative Council); Jawatankuasa Peringkat Kebangsaan Menyelaras Perlaksanaan Undang-Undang Sivil dan Syariah diMalaysia (National Board for the Implementation of Civil and *Shariah* Laws, Malaysia); and Lembaga Penasihat Penyelarasan Pelajaran dan Pendidikan Agama Islam (Advisory Board for Islamic Education and Curricula).” Zainah Anwar, *Islamic Revivalism in Malaysia: Dakwah Among the Students* (Petaling Jaya: Peladunk, 1987), 6 in Seyyed Vali Resa Nasr, *Islamic Leviathan*, 125.

<sup>202</sup> See Rodney Wilson, “Islam and Malaysia’s Economic Development,” *Journal of Islamic Studies*, Vol. 9, No. 2 (1998): 259-276.; William R. Roff, “Patterns of Islamization in Malaysia, 1890s–1990s: Exemplars, Institutions, and Vectors,” *Journal of Islamic Studies*, Vol. 9, No. 2 (1998): 210-228.

with Islamic teachings was designated as an effort to decolonize the society and Islamize the judiciary. This, however, also meant developing a modern Islamic theory of knowledge within the Western epistemology based on the approaches such as phenomenology, historicity, and relativism, as well as to Islamize the concepts such as state and democracy.<sup>203</sup>

The founding of other Islamic financial institutions throughout the Middle East and North Africa transformed Islamic economic teachings into concrete financial institutions, such as the Mit-Ghamr Saving Bank in Egypt in 1963, the Dubai Islamic Bank in 1975, Kuwait Finance House in 1977, Jordan's Islamic Bank for Finance and Investment in 1978, Bahrain's Islamic Bank in 1979, Iran's Islamic Bank in 1979, the Islamic Exchange and Investment Corporation in Qatar in 1979, International Islamic Bank in Bangladesh in 1983, Tadamon Islamic Bank in Sudan in 1983, Bank Islam Malaysia in 1983, a group of Faisal Islamic Banks in 1970s and 1980s, and others.<sup>204</sup>

## 6.2. Intellectual and Institutional Efforts of Islamization

The establishment of Islamic finances and banking has its origins in the theoretical, ideological, and institutional frameworks of ideologues, scholars, and Muslim economists, a motley group who created and expanded the field of Islamic economics.<sup>205</sup> Islamic economics was accompanied by the establishment of religious, social, educational, and economic organizations and institutions, such as the Organization Islamic Conference, Islamic Development Bank (1975), International Conference on Islamic Economics (1976), The International Centre for Research in Islamic Economics (1977), International Islamic university in Islamabad (1980) and Malaysia (1983), The Islamic Research and Training Institute (1981), and the International Institute of Islamic Thought (1981), which directed the course of Islamizing knowledge processes, education, and economies of those countries along with the establishment of Islamic financial institutions and business enterprises.<sup>206</sup> Hundreds of works on Islamic economics, finance, and banking

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<sup>203</sup> See e.g. Ahmad S. Moussalli, "Islamism. Modernization of Islam or Islamization of Knowledge," 97-101; Thomas Bauer, *Die Kultur der Ambiguität*, 388; Fazlur Rahman, "Islamization of Knowledge: A Response," *American Journal of Islamic Social Sciences*, Vol. 5, No. 1 (1988): 3-11; Seyyed Vali Reza Nasr, "Islamization of Knowledge: A Critical Overview," *Islamic Studies*, Vol. 30, No. 3 (1991): 387-400.

<sup>204</sup> Rodney Wilson, *A Short History of Islamic Economics*, 336.

<sup>205</sup> Timur Kuran states that Islamism blossomed primarily through economic and financial mechanisms and instruments. Timur Kuran, *Islam and Mammon*, 64-66.

<sup>206</sup> See e.g. The Islamic Development Bank, accessed March 17, 2017, <http://www.isdb.org/irj/portal/anonymous?NavigationTarget=navurl://8dfe53c09be96621aee748c849549322>; Rodney Wilson, *A Short History of Islamic Economics*, 329.



appeared predominantly in English, Arabic, and Urdu languages,<sup>207</sup> published primarily by Islamic Publications in Lahore, Pakistan, the International Islamic University in Kuala Lumpur, Malaysia, the Islamic Foundation in Leicester, the UK, and by the Islamic Economics Institute at King Abdul Aziz University (KAU) in Jeddah, Saudi Arabia, in addition to the literature on IOK published by the International Institute for Islamic Thought (IIIT) in Herndon US. Although these writings commented on social justice, taxation, ownership, financial transactions, legal system, banking, and more, there were not yet political in nature, since the religious, social and economic topics of the Islamic economic literature in the first second half of the 20<sup>th</sup> century mostly was produced by the religious scholars and Muslim economists, who favoured the political and academic institutions which published their work.

Despite the diverse body of literature, early Muslim revivalists, Islamic ideologues of South Asia, religious scholars, and western-trained Muslim economists give evidence to the scholarly lineage of Islamic economics. Islamic finance and banking are only byproducts of a long stretch of intellectual, ideological, and political contestations and accommodations of Islamic teachings and Western-induced knowledge and epistemological tendencies. The Islamic financial system, however, would not be possible without the potential clientele who forms the majority of its markets.

Three methodological trends can be observed in the formation of contemporary Islamic economics and finance: first, the application of *usūl al-fiqh* methodology to Islamic economics; second, the utilization of various economic methodologies from Westerns and Islamic sources; and third, the inclusion of Islamic economics into the episteme of conventional economics.<sup>208</sup> The notion of *dīn* as the central element of the Qur’anic worldview plays a prominent role for the proponents of the Islamization of Islamic economics, as it is to be found in the writings of Mawdūdī, al-Attas and al-Faruqi. The epistemology of Islamic economics is hence formed around the centrality of revelation in the pursuit of knowledge,<sup>209</sup> whereby Islamic methodology invokes the knowledge of *Sharī‘a* and other secondary sources.<sup>210</sup> Muslim economists are

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<sup>207</sup> See Mohammad Nejatullah Siddiqi, “Muslim economic thinking: A survey of contemporary literature,” Ahmad, Khurshid ed., *Studies in Islamic Economics* (Leicester: Islamic Foundation, 1980).

<sup>208</sup> Furqani and Haneef – who state that *fiqh* dominates the Islamic economic discourse – follow the Islamization of knowledge theory. Hafas Furqani, Muhammad Aslam Haneef, “Methodology of Islamic Economics: Typology of Current Practices, Evaluation and Way Forward,” (paper presented at the 8<sup>th</sup> International Conference on Islamic Economics and Finance, Doha Qatar, 19-21 December 2011), 2-8; Muhammad Aslam Haneef and Hafas Faruqi, “Contemporary Islamic Economics: The Missing Dimension of Genuine Islamization,” *Thoughts on Economics*, Vol. 19, No. 4 (2004): 29-48.

<sup>209</sup> Muhammad Aslam Haneef, “Islam, the Islamic Worldview and Islamic Economics,” *IIUM Journal of Economics and Management*, Vol. 5, No. 1 (1997): 48.

<sup>210</sup> Mahmud Abu Saud, “The Methodology of the Islamic Behavioural Sciences,” *American Journal of Islamic Social Sciences*, Vol. 10, No. 3, (1993): 382-395.

interested in both sources and methodologies.<sup>211</sup> For instance, Muḥammad Zarqa perceives Islam as a religion of guidance with normative statements, encouraging the analysis of normative hypotheses of economic thought in Islamic tradition and focusing on the relationship between Islamic economics and jurisprudence.<sup>212</sup> The objective of Islamic economics is thus “to arrive at descriptive hypotheses or assumptions that diagnose reality and link the various economic phenomena.”<sup>213</sup> Al-Faruqi’s eight-step Islamization plan,<sup>214</sup> which reintegrates *Sharī‘a* into the economic philosophy of Islam, has been referenced by Muslim economists such as Zarqa,<sup>215</sup> Monzer Khaf, Muhammad Haneef, and Mohammad Nejatullah Siddiqi.<sup>216</sup> The main representatives of contemporary Islamic economics, as presented in Chapter Two, despite their various methodologies, seem to follow the basic plan of the IOK.

One of the most prominent areas dominating IOK were Islamic economics and finance. Even though the early discourse on Islam and economics commenced in the 1930s, and IOK only in 1970s, al-Attas’s conceptualization of Islam and secularism, and especially al-Faruqi’s elaborated Islamization plan, had profound repercussions on the blossoming of Islamic economic project. As a discipline, Islamic economics was included in the Western and Islamic educational curricula through Islamic finance and banking.<sup>217</sup> Credit for the development of the area goes to the subsequent proponents of the IOK and economics in the United States, Pakistan, Indonesia, and Malaysia. The most known byproduct of contemporary Islamic economic project became the practical aspect of Islamic economics – the creation of Islamic banks – which was product-focused, and not so much an epistemological quest for theoretical and historical analysis of Islam’s moral economy. Islamic banks also emerged across Europe, including the United Kingdom, Luxembourg, Switzerland, and Denmark.

## 7. Concluding Remarks

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<sup>211</sup> Muḥammad Zarqa, “Islamization of Economics: The Concept and Methodology,” *Journal of King Abdul Aziz University: Islamic Economics*, Vol. 16, No. 1 (2003): 12. See also the Arabic version of this article: Muḥammad Zarqa “Tahqiq Islamiyyat Ilm al Iqtisad: al Mahfum wa’l Manhaj,” *Journal of King Abdul Aziz University: Islamic Economics*, Vol. 2, 1990.

<sup>212</sup> Muḥammad Zarqa, “Islamization of Economics: The Concept and Methodology,” 22.

<sup>213</sup> Muḥammad Zarqa, “Islamization of Economics: The Concept and Methodology,” 22.

<sup>214</sup> Isma’il al-Faruqi, *Islamization of Knowledge*, 57-58; see also 58-79.

<sup>215</sup> Muḥammad Zarqa, “Islamization of Economics: The Concept and Methodology,” 33-39.

<sup>216</sup> Mohammad Nejatullah Siddiqi, *An Islamic Approach To Economics* (Herndon, VA: IIIT, 1988); idem, “Islamizing Economics,” in *Toward Islamization of Disciplines* (Herndon, VA: IIIT, 1995), 253-264. See also Mahmud Abu Saud, “Toward Islamic Economics,” in *Toward Islamization of Disciplines* (Herndon, VA: IIIT, 1995), 265-723.

<sup>217</sup> Mohammad Nejatullah Siddiqi, “Islamization of Knowledge: Reflections and Priorities,” *The American Journal of Islamic Sciences*, Vol. 28, No. 3 (2011): 25.



This chapter analyzes some of the epistemological contentions of Islamic economics within the broader frame of historical, ideological, political, and socioeconomic realities of the late 19<sup>th</sup> and 20<sup>th</sup> centuries. While the aforementioned Muslim revivalists criticized socialism and capitalism, they focused on the theological and moral restructuring of the colonial Muslim subject; notably, they did not directly invoke an alternative economic system. In the backdrop of colonial political struggles, especially in Pakistan and Malaysia, many Muslim scholars came to defend an Islamic economic system, such as Mawdūdī, who was one of the most visible and vocal proponents of an Islamic society and state. His political economy and theory of an Islamic state, which was nonetheless anchored in the modernist paradigm, gave prominence to the flourishing of Islamic economics after the 1950s. The Islamization process, which swept through Malaysia, Indonesia, Pakistan, Iran, Saudi Arabia, and other Muslim-majority countries, gradually forced the alternation of domestic juridical and economic systems and the inclusion of Islamists' political vision. As an intellectual program, IOK in the 1970s, however, influenced and furthered the Islamization of sciences and disciplines, including Islamic economics, despite the methodological and epistemological inconsistencies that appeared in the merging of two distinct paradigms – Islamic heritage and Western knowledge.

Muslim economists drew on IOK ideas that advanced the development of Islamic economics, grounding it in an Islamic tradition of jurisprudence. While the disciplines of Islamic economics and Islamic jurisprudence differ methodologically, many Muslim economists like Choudhury, Naqvi, Chapra, Zarqa, and others (that will be presented in the following chapter), intended to centralize *fiqh* in Islamic economics. This was highly problematic, since economic behavior discusses much broader fields than only legal postulates. The proponents of the Islamization of Islamic economics proposed multiple sources of knowledge, which entails in part Western epistemic knowledge of economics and the division of disciplines. Despite *Sharī'a*-compliant Islamic banking, global output, and a viable financial system, Islamic economics and finance were incorporated into the dominant financial structures and conglomerate that expounds epistemological and methodological discrepancies.

The Islamization of Islamic economics supports integrating Islamic principles into the commercial economic system based on the unification methodology,<sup>218</sup> while methodologically

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<sup>218</sup> See Monzer Khaf, "Islamic Economics: Notes on Definition and Methodology," *Review of Islamic Economics*, Vol. 12 (2003): 23-47; Muḥammad Anas Zarqa, "Islamization of Economics: The Concept and Methodology," *Journal of King Abdul Aziz University: Islamic Economics*, Vol. 16, No. 1 (2003): 3-42; Muhammad Aslam Haneef, "Islam, the Islamic Worldview and Islamic Economics," *IIUM Journal of Economics and Management*, Vol. 5, No. 1 (1997): 39-65.

combining the Qur'anic justification over certain *fiqh* and economic theories with the conventional analytical tools. The application of Islamic jurisprudence was most visible in Islamic finance and banking, which have become the torchbearer of Islamization of Islamic economics.<sup>219</sup> Even if some scholars, such as Haneef, who defines Islamization of Islamic economics as an intellectual endeavor, recast economic history from an Islamic point of view, they do not fully consider the terminological and epistemological issues of utilizing theoretical framework and scientific predispositions interpreted according to Western norms.<sup>220</sup> As a result, Muslim economists believe that Islamic economics became a distinct discipline with its own philosophy, methodology, and worldview; however, they overlooked the danger of being positioned as a sub-discipline of the neoclassical conventional economics, which designates it as part of the modernist discourse. Hence, the question remains as to whether an Islamic state and economic ideology can escape the secular-liberal logic, which rested upon the idea of a nation-state formation.

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<sup>219</sup> Muhammad Aslam Haneef, *A Critical Survey of Islamization of Knowledge*, 56.

<sup>220</sup> "While we agree that Islamic economics must proceed from the Islamic worldview and economic vision, utilizing an Islamic methodology founded upon the epistemology of Islam, we cannot be oblivious to developments in western economics." Muhammad Aslam Haneef, "Islam, the Islamic Worldviewm and Islamic Economics," 53.

## Chapter Two:

### **The Present: Muslim Economists and the Constellation of Islamic Economics**

*By entering into arguments about the economy as a particular realm of human activity, many of the Muslim intellectuals seemed to accept – with various degrees of unease, some acknowledged, other not – that they were engaging with a discourse not of their own making. The struggle to make it theirs has been a constant and sometimes problematic one.*

Charles Tripp, *Islam and the Moral Economy*, 105

#### 1. Introductory Remarks

The subject of contemporary Islamic economics owes much of its discursive origins to the revivalist Islamic movements of the early to mid-twentieth century whose ideologues took into account broader intellectual, theological, and social aspects of the colonial context; they henceforth laid the groundwork for the eventual Islamization process (of economics). Modern economic theories in Islam contain many methodological and epistemological inconsistencies. In Chapter Two, I delve further into the concepts, contexts, and methods of contemporary Muslim economists and theoreticians, unpacking the birth and subsequent resonance of Islamic economics by investigating the dominant methodologies and philosophies associated with its naissance. This discussion will formulate the theoretical critique of contemporary economic doctrines in Islam that I provide in Chapter Four.

Contemporary Islamic economics is not only the result of an attempt to revitalize the economic sources of Islam, but also an outcome of the triumph of the global political-economic paradigm.<sup>1</sup> Despite contemporary Islamic economic project's distinct ethical and ideological-religious characteristics, it emerged from within the economic, social, and political contestations of the early 20<sup>th</sup> century, in parallel to attempts made to form an Islamic state and society. However, much of the discussion about its conceptualization and the discipline itself does not take into account the Islamic sciences of nature and their implications for the epistemological and moral restructuring of the moral self. The majority of voices and proponents of the Islamization

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<sup>1</sup> "Globalization is clearly the project of the rich and powerful states and the colossal corporations ostensibly regulated by them, a project largely imposed on weaker states. And it so happens that the political-economic paradigm of these powerful states is a liberal one." Wael Hallaq, *The Impossible State*, 141.

of knowledge come from specific centers, publishing houses and economic institutions (e.g. from Islamic Foundation and its Economic Unit in Leicestershire, the United Kingdom;<sup>2</sup> Islamic Development Bank and Islamic Economics Institute, King Abdulaziz University in Jeddah, Saudi Arabia;<sup>3</sup> International Islamic University Malaysia, Kuala Lumpur,<sup>4</sup> to name a few). Those institutions pursued theoretical, structural, and educational developments of contemporary Islamic economic project, which were grounded in the Islamization process, generating a narrative of self-perpetuating views and beliefs of an ethical economic philosophy. As a distinct subject, the premise of contemporary Islamic economic project is interwoven into the economic-political fabric of capitalism, finding its own niche within this current global economic system.<sup>5</sup> As will be discussed below, Islamic economics did not propose an alternate perspective or system of economic norms – despite the assertions of many contemporary Muslim economists. This discrepancy is clear when one reviews the nature of contemporary Islamic economics and its predicaments, the (absence of the) role of the nation-state, the concept of economic justice (as *maṣḥala*, *istiḥsan*, or *‘adāla*), and the ontological position of Islamic economics in relation to other fields.

The majority of contemporary Muslim scholars on Islamic economics are economists by training who participated in laying the foundations of Islamic finance and banking. Thus far Muslim economists, albeit pioneers in the field who made seminal contributions to its methodology, philosophy, and the field of Islamic finance, have made many claims about “the structure of what could be regarded as an Islamic economy rather than the discipline of economics as such,”<sup>6</sup> though offering little theoretical and genealogical import to pinpoint beyond the distinct conceptualization of an Islamic economic system. Despite the proliferation of numerous monographs justifying the existence of Islamic economics as a “third way” and a unique economic system, such a system has yet to come into existence; rather, Islamic economics has been incorporated into the conventional economic model, manifesting as a sub-economy, since there is no existing, fully operative Islamic economy in the Middle East or South Asia.<sup>7</sup> The ethics and Islamic law were considered the backbone and foundation of Islamic economics,

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<sup>2</sup> “Islamic Economics Unit,” Islamic Foundation, last modified October 18, 2017, <http://www.islamic-foundation.org.uk/User/Home.aspx>.

<sup>3</sup> Islamic Economics Institute, last modified November 13, 2014, <http://iei.kau.edu.sa/Pages-E-DirectorMessage.aspx>.

<sup>4</sup> Center for Islamic Economics, accessed March 18, 2017 <http://www.iiu.edu.my/cie>.

<sup>5</sup> For a historical overview of contemporary Islamic economics, see figure one in the appendix.

<sup>6</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 4.

<sup>7</sup> See the Organisation of Islamic Cooperation (OIC), which combines 49 predominantly Muslim states. For the economy of the Muslim member countries, see Islamic Development Bank report “Facts and Figures on IDB Member Countries 2017,” accessed May 20, 2017, [http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/Member\\_Countries\\_Facts\\_Figures/ff\\_2017.pdf](http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/Member_Countries_Facts_Figures/ff_2017.pdf).

which present a methodological problematic, for economic norms are broader than legal rules, yet Muslim economists eagerly accepted much of the Western economic tradition.<sup>8</sup> Moreover, contemporary Muslim economists reiterate that the intersection between an Islamic paradigm and modern knowledge is necessary, while they too often narrowly link the discourse on Islamic economics with *fiqh*.<sup>9</sup>

Chapter Two takes serious this claim, analyzing the intricate writings of some of the main representatives of Islamic economics, chiefly Alam Choudhury, Umer Chapra, Haider Naqvi, Nejatullah Siddiqi, and Muhammad Akram Khan, by scrutinizing their original work, as well as ethical, legal, and theoretical extolments of the very subject matter against the backdrop of epistemic value of the discipline. Concomitantly, the literature of other contemporary Muslim economists will be addressed, such as Muhammad Fahim Khan, Monzer Kahf, and Rauf Azhar. By exploring the theory of knowledge on Islamic economics, especially concerning key concepts and methodologies in their works, the validity of their theories, and the scope of their research, this chapter explores the reasons and justifications that distinguish the aforementioned authors' views on Islamic economics and sets the stage for the subsequent chapter's discussion of classical legal and economic thought in Islamic tradition.

## 2. Theories and Definitions – Recent Developments and Contentions

Muslim revivalists of the 19<sup>th</sup> and early 20<sup>th</sup> centuries did not employ the terms “Islamic economics” or “Islamic finance”; they discussed the sociopolitical realities in relation to the revival of theological teachings in Islam. Nevertheless, religious scholars such as Abū al-A‘lā Mawdūdī,<sup>10</sup> Muḥammad Bāqir al-Ṣadr,<sup>11</sup> Taleqani,<sup>12</sup> as well as Western-trained economists and proponents of the Islamization process such as Muhammad Abdul Mannan,<sup>13</sup> Ahmad Kurshid,<sup>14</sup>

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<sup>8</sup> Wilson, however, notes that there are core distinctions between conventional and Muslim economists, such as the incorporations of ethical values, specific methodology laid down in Islam, and objectives based on the divine revelation. Rodney Wilson, *A Short History of Islamic Economics*, 379.

<sup>9</sup> See Waleed A. J. Addas, *Methodology of Economics: Secular versus Islamic* (Kuala Lumpur: International Islamic university Malaysia, 2008), vii.

<sup>10</sup> Abu al-‘Ala Mawdudi, *The Economic Problem of Man and its Islamic Solution* (Lahore: Maktaba Jama‘at-e-Islami, 1955).

<sup>11</sup> Al-Ṣadr, *Iqtisādunā* (Tehran: World Organization for Islamic Services, 1982).

<sup>12</sup> Ayatullah Sayyid Mahmud Taleghani, *Society and Economics in Islam*, trans. R. Campbell (Berkeley: Mizan Press, 1982).

<sup>13</sup> See e.g. Muhammad Abdul Mannan, *Islamic economics: theory and practice* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986).

Nejatullah Siddiqi, Umer Chapra, Muḥammad Anas Zarqa, Alam Choudhury, and others formed and expanded a new field of Islamic economics.<sup>15</sup> Contemporary Islamic economics is motivated by the intellectual developments of the 19<sup>th</sup> century and secular schools of thought, including the very study of basic economic tenants.<sup>16</sup> A swirling set of factors led to the rising interest in Islamic economics: the dissatisfaction with the world economy; the policy of the mainstream economic doctrine; the impact it has had on indigenous cultures;<sup>17</sup> and the institutionalized exploitation of poor countries.<sup>18</sup> By the second half of the twentieth century, the discipline had emerged as a distinct field of study,<sup>19</sup> and ever since, it has been credited as having a recognizably ethical dimension.<sup>20</sup> Rauf Azhar has advanced the idea that Islam has its own distinct economic system, whose rules and basic premise can be deduced from the scriptural sources, which also include viewing any form of interest as *ribā*.<sup>21</sup> From this discussion, Islamic economics emerged as a distinct science, rooted in the Islamization of knowledge process, with Islamic finance and banking<sup>22</sup> as its subsidiary branch.

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<sup>14</sup> Khurshid Ahmad, *Studies in Islamic Economics* (Leicester: The Islamic Foundation, 1981); idem, "Nature and Significance of Islamic Economics," Ahmad Ausaf and Kazim R. Awan, *Lectures on Islamic Economics* (Jeddah: IDB, 1992); idem, *Economic Development in an Islamic Framework* (Leicester: Islamic Foundations, 1979); idem, *Islamic Approach to Development: Some Policy Implications* (Islamabad: Institute of Policy Studies, 1994). For his more recent writings see Khurshid Ahmad, "The challenge of Global Capitalism: An Islamic perspective," *Policy Perspectives*, Vol. 1, No. 1 (2004): 1-29; idem, "Global Economic Crisis Need for a Paradigm Shift," *Policy Perspectives*, Vol. 8, No. 2 (2011): 1-17; idem, "Western Philosophies of Research and Fundamentals of Islamic Paradigm," *Policy Perspectives*, Vol. 10, No. 1 (2013): 45-62.

<sup>15</sup> The majority of Muslim economists would agree on basic tenants of Islamic economic doctrine, but nonetheless, differ in their methodology, epistemology, and application. For instance, Siddiqi's ethical and moral considerations of economic problems differ from Choudhury's *tawḥīd* theological epistemology, or from Chapra's approach.

<sup>16</sup> Economic system is "an integral structure of a society characterized, by a set of institutions established to enable it to accomplish the twin tasks of allocation of resources at its disposal, and distribution of the goods and services thus produced among its citizens." Azhar Rauf, *Economy of an Islamic Economics*, 45.

<sup>17</sup> "In a capitalistic system, the market is not only the major site for the exchange of commodities, but becomes the supreme institution and dominant metaphor for most social transactions... This model of rationality colonises the ethical world, suggesting that it is the model for a universal rationality, its triumph evident in the ethnically sanctioned freeing of 'human nature' to become the agent that will reproduce capitalist enterprise." Charles Tripp, 5. See also R. Dilley (ed.), *Contesting Markets* (Edinburgh: Edinburgh University Press, 1992).

<sup>18</sup> Muhammad Akram Khan, *The Future of Islamic Economics*, 249.

<sup>19</sup> See the survey made by Siddiqi, *Contemporary Literature on Islamic Economics* (Leicester: The Islamic Foundation, 1978), 68.

<sup>20</sup> Rodney Wilson, "Islamic Economics and Finances," *World Economics*, Vol. 9, No. 1 (2008): 177.

<sup>21</sup> "The writings on Islamic economics can be split into two distinct though related strands: First, following the Qur'ānic sanction against *ribā*, one strand of writings explores the various Islamic financing alternatives to interest on the presumption that interest is precisely the same thing as *ribā*. Some of these alternatives are based on the idea of variable returns on capital—and therefore stipulate some sort of profit sharing arrangements—while others, in sharp contrast allow fixed returns to capital that are supposed to be compatible with Islamic *Sharī'a*. It is this strand of writings that, understandably, provided the initial impetus to the venture of Islamic economics." For more on the differentiation between *ribā* and usury see Rauf A. Azhar, *Economics of an Islamic Economy*, 4.

<sup>22</sup> "The principles of Islamic finance are, however, based on Islamic economic theory, and to understand the former some knowledge of the latter is required." Rodney Wilson, "Islamic Economics and Finances," 180.

The turning point for the expansion of the discipline, according to a renowned Muslim economist Muhammad Akram Khan, whose works on economics will be scrutinized in the following paragraphs,<sup>23</sup> occurred with the establishment of the Centre for Research in Islamic Economics in 1976 at King Abdulaziz University in Jeddah, which produced theoretical material on the subject as well as contributed to the development of Islamic finance and banking. Given that in 2006 there were more than 6484 publications available on the subject of Islamic economics and finance,<sup>24</sup> only a selection of those will be studied based on the aforementioned figures.<sup>25</sup> Since Islamic economics is a nascent discipline, “it has not yet attracted the attention of the economics professions.”<sup>26</sup> Since the 1970s, theoreticians of Islamic economics have defined its origins not within the intellectual history of Islam, but by distinguishing it from other economic systems.<sup>27</sup> It was therefore easy to define the discipline in terms of “what Islamic economics was not, rather than to find a positive content for it.”<sup>28</sup> The approach to Islamic economics was often defined on the basis of differentiating it from other economic traditions, i.e. capitalism and socialism. The contemporary Muslim economists aimed to discern and define the Islamic worldview and its possible ramifications for economic behaviour, developing social science, based on legal and economic knowledge as it emerged in the West. They predominantly relied on their own understanding of the legal stipulations of the “Qur’anic epistemology of unity,”<sup>29</sup> and coupled it with financial theories. The revival of Islamic economics by extension

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<sup>23</sup> It is important to note that there are at least two phases of Muhammad Akram Khan’s writing – the earlier one, which reflects the ideas shared by most of the mainstream economic scholars in Islam, and the later one, which displays departure from such position.

<sup>24</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 5.

<sup>25</sup> Several PhD theses have been written, and numerous articles and books published on the field of Islamic economics. For the literature and surveys on Islamic Economics, see Siddiqi, *Contemporary Literature on Islamic Economics* (Jeddah: International Centre for Research on Islamic Economics, King Abdul Aziz University, and Leicester: The Islamic Foundation, 1978); Asad Zaman, *Islamic Economics: A Survey of the Literature* (Islamabad: International Islamic University of Islamabad, 2008).

<sup>26</sup> Muhammad Akram Khan, “The Future of Islamic Economics,” *Futures*, Vol. 23, No. 3 (1991): 248.

<sup>27</sup> As we shall see in Chapter Four, Muhammad Akram Khan suggests that Muslim scholars should stay within the parameters of already existing economic knowledge and not resort to their own tradition. Muhammad Akram Khan, *What is Wrong with Islamic Economics? Analysing the Present State and Future Agenda* (Cheltenham, UK, Northampton, US: Edward Elgar Publishing, 2013), xiii. Such an assertion is, however, problematic, since also Khan seems not to realize that coupling Islamic economic knowledge with the current understanding of social sciences presupposes an adherence to already existing epistemological and broader methodological parameters, in addition to the corresponding nation-state apparatuses. Irrespective of that differentiation, the potential knowledge of Muslim scholars, who indeed could have collaborated with their counterparts in the West in order to, first, define the economic order in Islamic tradition and, second, to set societal standards in order to enable the pursuit of socioeconomic system, can be included only if the moral predicaments – grounded on the premodern understanding of economic-moral-legal amalgam – would be placed in the core of their deliberations.

<sup>28</sup> See Thomas Philipp, “The Idea of Islamic Economics,” *Die Welt des Islams*, New Series, Bd. 30, No. 1/4, (1990): 122.

<sup>29</sup> See e.g. the writings of Alam Choudhury.

necessitated an approach that turned out to be detached from the reality on the ground.<sup>30</sup> As interpreted by contemporary Muslim economists, economic ideas have been throughout the history of Islam regarded as an integral part of the legal framework. Hence, in the contemporary era the Islamic economic doctrine is viewed as a side-effect of Islamic legal principles and prescriptions, derived from the Qur'an and the Prophetic Tradition, perceived through the *Shari'a* legislative regulations.

The concept of Islamic economics attracted many Muslim scholars and non-professionals. At least four different dimensions of economic analysis can be identified: studies that relate to economic issues within the discipline of *tafsir* (exegesis) as a hermeneutics of the Qur'an, e.g. prohibition of usury; economic matters within the discipline of *fiqh* (Islamic jurisprudence), e.g. the dominant aspects of Islamic economics; elaboration upon economic questions by classical Muslim scholars from the perspective of Islamic ethics by theologians, Sufis, and philosophers; and numerous works on economic science written by Islamic scholars as a response to the growing need of the time, such as comparisons between Islamic economic and other economic systems.<sup>31</sup> There are three categories of scholars who have contributed to Islamic economics: '*ulamā*',<sup>32</sup> modernists, and Western-educated economists, whereby the '*ulamā*' have been the main contributors.<sup>33</sup> Modernists have been active in reinterpreting the traditional sources in contemporary context, whilst the expertise in economic studies have expressed support of Islamic economics<sup>34</sup> by predominantly focusing on the economic analysis and financial, and banking sector. On the other hand, one of the main concerns for '*ulamā*' was explaining economic teaching in Islamic tradition in contemporary terms, applying an orthodox approach, while relying on the sources of Islam. The '*ulamā*' have been predominantly interested in the legal aspect of economic conduct in Islam, and *Shari'a* related questions.<sup>35</sup> The judicial focus is

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<sup>30</sup> Most proponents of Islamic economics resort to Islamic finances and banking as the only existing financial institutions in Muslim majority countries. See also Rodney Wilson, "Islamic Economics and Finances," 180.

<sup>31</sup> Sadeq Abdul-Hasan et. al., *Pregled islamske ekonomske misli* (Sarajevo: El-Kalem, 1996), 12, 148; Sami Al-Daghistani, "Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought," *International Journal of the Semiotics of Law*, 29 (2016): 394.

<sup>32</sup> See also the works of 'Abdallah Bin Bayyah, 'Alī al-Quradāghī, and Yūsuf al-Qaradāwī, *Economic Security in Islam*, trans. Muhammed Iqbal Siddiqi (New Delhi: Islamic Book Services, 1997).

<sup>33</sup> Muhammad Akram Khan, "Islamic Economics: The State of the Art," in *Toward Islamization of Disciplines* (Herndon, VA: IIIT, 1989), 274.

<sup>34</sup> Muhammad Akram Khan, "Islamic Economics: The State of the Art," 274.

<sup>35</sup> Most of jurists "are not well-versed in economics they test at the mainstream concepts on the juristic touchstone for pronouncing judgment on their efficacy for Islamic economics... A second route is taken by economists turned fuqaha. They have modified numerous mainstream concepts, theories, and models to make them look Islamic including: wants, utility, efficiency, entrepreneurship, marginal productivity, scarcity and so on" Waleed A. J. Addas, *Methodology of Economics: Secular versus Islamic*, 98.



dominant, and it presents the core of Islamic economics,<sup>36</sup> whereas modernists and Western-educated scholars are supportive of Islamic economics and their writings mainly conceptually, by analyzing the basic teachings and principles of the discipline.

According to Khan, “the literature on Islamic economics, as it exists today, explains or analyzes the teachings of Islam. It is not related to real-life situations. That is what makes it conceptual and not theoretical.”<sup>37</sup> Another conceptual mistake is that most analyses deal with an ideal Islamic society, by applying Islamic jargon irrespective of the needs of a modern society. Khan observes that Islamic economic system is a “science that studies the best possible use of all available economic resources, endowed by Allah, for the production of maximum possible output of halal goods and services that are needed for the community now and in the future and the just distribution of this output within the framework of Sharī‘a and its intents.”<sup>38</sup> He further argues that the academic tradition of Islamic economic thought builds upon the work of Muslim predecessors who made seminal contributions to the economic thought in Islam,<sup>39</sup> including legal scholars, theologians, reformists and others, relying on the scriptural sources of Islam. However, since there is no existing Islamic society, there is no comprehensive theory that can be applied to it.<sup>40</sup>

Islamic economics has been defined in various ways, either impelled with “relative scarcity,” “Islamic worldview,” or with “*Sharī‘a*-concurrent” injunctions, including the notions of resource allocation, production, *ḥalāl*-goods, and the concept of justice.<sup>41</sup> Hereby are some of the examples of how Islamic economics is defined and how broadly the discipline has been conceptualized: Islamic economics is “the knowledge of the application of the injunctions and the rules of the Sharī‘a regarding acquisition and disposal of available resources for providing satisfaction to the individuals in order to enable them individually and collectively to perform

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<sup>36</sup> Muhammad Akram Khan, Muhammad Akram Khan, “Islamic Economics: The State of the Art,” 274.

<sup>37</sup> Khan made similar claims also in his newest book from 2013. Muhammad Akram Khan, Muhammad Akram Khan, “Islamic Economics: The State of the Art,” 275.

<sup>38</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics* (New Delhi: Kitab Bhavan, 1999), 5.

<sup>39</sup> See Hasan Zubair, review of *An Introduction to Islamic Economics*, by Muhammad Akram Khan, *The American Journal of Islamic Social Sciences*, Vol. 13, No. 4, (1996): 583.

<sup>40</sup> Akram Khan Muhammad, *An Introduction to Islamic Economics* (Islamabad: International Institute of Islamic Thought, 1994), 74. See also Akram Khan Muhammad, “Islamic Economics: Methodology of Islamic Economics,” *Journal of Islamic Economics*, Vol. 1, No. 1, 1987.

<sup>41</sup> See e.g. Nagaoka Shinsuke, “Critical Overview of the History of Islamic Economics: Formation, Transformation, and New Horizons,” *Asian and African Area Studies*, Vol. 11, No. 2 (2012): 114-136; Abdulrahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” in *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed, Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2002, 28.

their obligations to Allah and the society;”<sup>42</sup> it is the “study of how human achieve ‘al-falah’ by organizing the resources of earth on the basis of co-operation and participation;”<sup>43</sup> it is “a social science which studies the economic problem of a people imbued with the values of Islam;”<sup>44</sup> it is a system that “directs economic activities and arranges them in accordance with Islamic tenets and economic principles;”<sup>45</sup> it is a system “emanating from the Islamic worldview, dominated by revelation and having a flexible methodology which combines western neoclassical/Keynesian economics with fiqh;”<sup>46</sup> it is “both a science and an art which deals with the daily routine of a Muslim’s economic life i.e. how he earns his income and how he spends it. It is a science in the sense that it involves many scientific methods in the production of material goods, their distribution and consumption;”<sup>47</sup> it is a discipline that “should not be separated from the general definition of economics. The laws of Islamic economics remain the same;”<sup>48</sup> it is “a nascent social discipline whose concern is to reformulate economic principles and prepositions in accordance with Islamic values and ideals;”<sup>49</sup> it is a systematic effort that tries “to understand the human economic problem and his behavior in relation to that problem from an Islamic perspective;”<sup>50</sup> it is “the study of a Muslim’s behavior who organizes the resources which are a trust, to achieve *al-falah*;”<sup>51</sup> it is “a study of human behaviour with regard to acquiring and using resources for the satisfaction of necessities, needs and other desires. This study is based on the assumption of the Islamic paradigm, i.e., the Islamic outlook on life and humanity,” as well as “the study of the economic behaviour of men and women, as individual economic agents, and as communities and collective entities;”<sup>52</sup> “It is a system that embodies Islamic norms in organizing economic life;”<sup>53</sup> it is “an approach to interpreting and solving man’s economic problems based on the values, norms, laws and institutions found in, and derived from, the sources of knowledge

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<sup>42</sup> S. M. Hasanuzzaman, “Defining Islamic Economics,” *Journal of Islamic Banking and Finance*, Vol. 14, No. 1 (1997): 12–22.

<sup>43</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 33.

<sup>44</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 18.

<sup>45</sup> Muḥammad Shawqī al-Fanjārī, *Al-Madḥab al-iqtisādī fī al-Islām* (Cairo: al-Hai’at al-Misriyat al-‘Ammah li al-Kitāb, 1986).

<sup>46</sup> Mohammad Nejatullah Siddiqi, *An Islamic Approach To Economics* (Herndon, VA: IIIT, 1988).

<sup>47</sup> Abul Kalam, “The basic principles of Islamic economics,” *Journal of Islamic Banking and Finance*, Vol. 8 (1991): 16-24.

<sup>48</sup> Jafarhusein. I. Laliwala, “Islamic Economics: Some Issues in Definition and Methodology,” *Journal of King Abdulaziz University: Islamic Economics*, Vol. 1, (1989): 129-131.

<sup>49</sup> Khurshid Ahmad, *Studies in Islamic Economics* (Leicester: The Islamic Foundation, 1981).

<sup>50</sup> Khurshid Ahmad, “Nature and Significance of Islamic Economics,” in *Lectures on Islamic Economics*, ed. Ahmad Ausaf and Kazim R. Awan (Jeddah: IDB, 1992).

<sup>51</sup> Mohammad Arief, “Toward a Definition of Islamic Economics: Some Scientific Considerations,” *Journal of Research in Islamic Economics*, Vol. 2 (1985): 87-103.

<sup>52</sup> Monzer Kahf, “Islamic Economics: Notes on Definition and Methodology,” *Review of Islamic Economics*, Vol. 13 (2013): 24.

<sup>53</sup> Al-Ṣadr, *Iqtisādunā* (Tehran: World Organization for Islamic Services, 1982).

in Islam;”<sup>54</sup> “It is that branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teaching without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalance,” as well as a body of knowledge that about “the realization of human well-being through the actualization of the *maqasid*... which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances;”<sup>55</sup> and “the science that studies the best possible use of all available economic resources, endowed by Allah, for the production of maximum possible output of halal goods and services that are needed for the community now and in the future and the just distribution of this output within the framework of *Shari’ah* and its intents.”<sup>56</sup>

Despite the plentiful definitions and theories associated with the subject, as shown above, there is neither a clear indication nor consensus of precisely what Islamic economics encompasses. Indeed, what was formulated as the Islamic position was simply the value system of Islam. Still, the majority of Muslim economists would tentatively agree that the study of Islamic economics revolves around concepts such as justice, equality, and the Prophetic message.<sup>57</sup> Many contemporary scholars, such as Naqvi and Siddiqi, base their theory of Islamic economics predominantly on Islamic ethical and legal conceptions of economic thinking respectively, following the norm of “commanding the good and forbidding the evil”, which includes the forbiddance of hoarding, and ethically stipulated means of provisions.<sup>58</sup> Some also believe that the science of Islamic economics emerged from Islamic economic knowledge, established by the *fuqahā’* and classical Muslim scholars<sup>59</sup> who analyzed economic problems of money, fiscal policy, trade, markets, and financial transactions. However, their methodologies differ, substantially.

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<sup>54</sup> Haneef, “Islam, The Islamic Worldview, and Islamic Economics,” *IIUM Journal of Economics & Management*, Vol. 5, No. 1 (1997): 71–108.

<sup>55</sup> Umer Chapra, *What is Islamic economics?* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 1996), 30.

<sup>56</sup> Abdulrahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2002), 28, 30.

<sup>57</sup> See Abbas Mirakhor, *A note on Islamic Economics* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2007), 10.

<sup>58</sup> See Nejatullah Siddiqi, *Economic Enterprise in Islam* (Delhi: Markazi Maktaba Islami, and Lahore: Islamic Publications, 1972); Syed Nawab Haider Naqvi, *Ethics, and Economics: An Islamic Synthesis* (Leicester: The Islamic Foundation, 1981); Muhammad Umer Chapra, *Islam and the economic challenge* (Herndon, VA: International Institute of Islamic Thought, 1992).

<sup>59</sup> Abdulrahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” 21.

### 3. Methodologies of Contemporary Islamic Economics

The methodological formations of contemporary Islamic economics speak to the nature of the subject and the position of the discipline within the broader spectrum of both religious and social sciences. Though the topics, themes, and concepts of the Islamic economic project have been well studied, the new discipline was “undoubtedly motivated by the intellectual progress in secular school of economics during the 19<sup>th</sup> century,”<sup>60</sup> which was allegedly based on two intertwined aspects: first, the historical underpinning of classical Muslim scholars, and second, the urge to understand and tackle modern economic problems. Nonetheless, only few contemporary Muslim scholars investigated the classical Islamic scholarship on economic thought.<sup>61</sup> Whether or not the contemporary (Muslim) scholars’ writings on economics are reflected in society at large remains an unanswered question.

#### 3.1. The Epistemology of *Tawḥīd* and the Religious Worldview

Mainstream Muslim economists differ in their methodological application of an Islamic economic system. By referring to *Shari‘a*, Choudhury, Siddiqi, and others justified the subject within religious terms.<sup>62</sup> For the majority of contemporary Muslim economists and the

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<sup>60</sup> “The emergence of Islamic economics as a new discipline was undoubtedly motivated by the intellectual progress in secular schools of economics during the 19<sup>th</sup> century. The new discipline resonated two attributes. On the one hand, it was an expression of the historic Islamic heritage and on the other hand, it was a reflection of a desire to understand economic issues and problems of the Muslim world on modern bases. In other words, Islamic economics attempts to analyze the causes of economic problems and issues and arrive at practical solutions that suit modern Islamic societies within the context of Islamic law and values. This development is part of modern Islamic movements aiming to revive Shari‘ah in all walks of life and to preserve Islamic identity.” Abdulrahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” 23.

<sup>61</sup> See for instance Masudul Alam Choudhury, *The Principles of Islamic Political Economy: A Methodological Enquiry* (UK: Emerald Group Publishing, 2011); idem, *Islamic Economics and Finance: An Epistemological Inquiry* (London: Palgrave MacMillan, 1992). Mirakhor affirms the generally held opinion that “there is no avoiding the fact that in Islam all behaviour is rules-based, that ethical values underline the rules, and that the sources of the rules is Allah,” although the question to what extent is the discrepancy between the legal and the moral reflected in contemporary Islamic economics, is a disputable issue. Abbas Mirakhor, *A note on Islamic Economics* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2007), 13.

<sup>62</sup> See Siddiqi, “Tawhid, the Concept and the Process,” eds. Khurshid Ahmad and Zafar Ishaq Ansari, *Islamic Perspectives: Studies in Honour of Mawlana Sayyid Abul A‘la Mawdudi* (Leicester, UK: The Islamic Foundation, 1979), 17-33; Mawdudi, *The Economic Problem of Man and its Islamic Solution*, 1955.

proponents of the Islamization of knowledge, the Islamic worldview builds upon the fundamental premise of *tawhīd*<sup>63</sup> or the Divine Unity of God (“radical” or pure monotheism), which encompasses ethical, aesthetical, scientific, economic and sociopolitical domains. The epistemology of *tawhīd* pertains to the following elements: *muḍārabah* (profit-sharing), and *mushārah* (equity participation) join ventures; prohibition of *ribā* (excessive) interest; the institution of *zakāt* (wealth tax), and avoidance of *isrāf* (wasteful behaviour) in consumption and production. *Tawhīd* epistemology, rooted in the Qur’an,<sup>64</sup> is indispensable for the overall understanding of the Islamic sciences, including economic predicaments. Thus, the eminent or intrinsic experience of the spiritual as well as of the material is referred in the Qur’an referred as *fiṭra*,<sup>65</sup> which mobilizes the knowledge in the world-system.

Choudhury integrates the moral law as the meta-epistemology into the subject of Islamic economics, in order to achieve an “equilibrium model” as opposed to a mainstream general-system model.<sup>66</sup> This meta-epistemology is for Choudhury the extension of Divine laws and worldly terms of unity of knowledge that can extrapolate the worldview, which incorporates ethical considerations.<sup>67</sup> The result is the *tawhīdī* phenomenological model, which can be further applied to the material and cognitive realities of Islamic political economy.<sup>68</sup> Islamic economics have relied on the mainstream theories of consumerism theory and the neoclassical understanding of the allocation of resources, whereby Islamic values were implied only indirectly and thus ethical consideration remained exogenous.<sup>69</sup> The alternative is an Islamic political economy based upon and derived from the precepts (*aḥkām*) of the Qur’an.<sup>70</sup>

By introducing Marxist, Keynesian, and liberal political economies, Choudhury distinguishes the Islamic economic model according to “the study of interactive relationships between polity (*Shūrā*) and the ecological order (market subsystem).”<sup>71</sup> Its epistemological

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<sup>63</sup> Masudul Alam Choudhury, *The Islamic world-system: a study in polity-market interaction* (New York: Routledge, 2004), 8.

<sup>64</sup> Choudhury, *The Islamic world-system: a study in polity-market interaction* (London: Routledge, 2004), 10.

<sup>65</sup> The term *fiṭra* designates the intrinsic purity or primary nature of man: an ability to comprehend the existence of Allah and His Unity. In relation to this term, Islam is regarded as the *dīn al-fiṭra*, implying its suitability to the character of human spirit. (Qur’an 30:30, 7:172 and 139).

<sup>66</sup> Choudhury, “A Critique of Economic Theory and Modeling: A Meta-epistemological General-system Model of Islamic Economics,” *Social Epistemology: A Journal of Knowledge, Culture and Policy*, Vol. 25, No. 4 (2011): 425.

<sup>67</sup> Compare this approach to the one of al-Ṣadr and his differentiation between science and system almost 30 years earlier.

<sup>68</sup> Masudul Alam Choudhury, *Islamic Economics and Finance: An Epistemological Inquiry* (London: Palgrave MacMillan, 1992), 2.

<sup>69</sup> Masudul Alam Choudhury, “Islamic Political Economy,” *Review of Islamic Economics*, No. 13 (2003): 66.

<sup>70</sup> Masudul Alam Choudhury, “Critique of Current Thinking in Islamic Political and Economic Issues,” *Islamic Quarterly*, Vol. 42, No. 2 (1998): 126.

<sup>71</sup> Masudul Alam Choudhury, “Toward Islamic Political Economy at the Turn of the Century,” *The American Journal of Islamic Social Sciences*, Vol. 13, No. 3 (1996): 366-381, 370.

foundations are rooted in *Sharī'a*, through which the knowledge of God becomes integrated into the socioeconomic sphere. This is based on the theological understanding of fundamental concepts of morality, ethics, and values that are the essence of a socioeconomic reality, upon which the theoretical structure of an (Islamic) economic system is built. “Islamic political economy is an epistemological examination of socio-scientific phenomena”<sup>72</sup> based on the Qur’anic *Weltanschauung*.<sup>73</sup> For him, Islamic philosophy preceded the notion of utilitarianism in Islamic thought and extends to the field of Islamic law, specifically to the notion of *maṣḥala* and *istiḥsān*.<sup>74</sup> Furthermore, modernism stands for Occidental philosophy and is thus based upon an Occidental theory of knowledge (epistemology), and as such cannot serve the causes of Islamic economic thought. Since the scientific norms are interpreted as neutral, regardless of their religious, materialistic, or spiritual contexts,<sup>75</sup> Choudhury adheres to practices that are related to those contexts as well as their ethical framework, since in its absolute sense a scientific activity is spared of religious or any other ideological applications.

Similarly, Siddiqi’s methodology to Islamic economics is contained in the Qur’anic revelation,<sup>76</sup> whereby man is viewed as a whole, extending his existence above the bare fulfillment of (material) needs.<sup>77</sup> For Siddiqi, “economics is not the science of market only. Its nature as a social science necessitates due attention to goals of society among which universal need-fulfillment is on top.”<sup>78</sup> Under the institutional framework in which Islamic economic practice takes place, Siddiqi acknowledges the following categories: double ownership (including private property), freedom of enterprise (entailing competition), mutual risk-sharing and consultation, responsibility of the state to secure rights of individuals. The overall goal of Islamic economics is accordingly encapsulated in the economic well-being<sup>79</sup> through the conception of

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<sup>72</sup> The epistemology of the Divine Unity is exogenous yet present in all the systems of human endeavour, including socioeconomic domain. This epistemology is described “as the Stock of Knowledge by virtue of its completeness and absoluteness in the total creative frame of the universe.” The methodological precepts for Islamic political economy are Shuratic process; the concept of value as it is known in economic theories; universal complementarity related to the unification of knowledge; and analysis and inference of this endogenous system. Masudul Alam Choudhury, “Islamic Political Economy,” *Review of Islamic Economics*, No. 13, 2003, 50; see also pages 49-71.

<sup>73</sup> See Masudul Alam Choudhury, “Islamic Political Economy: An Epistemological Approach,” *Social Epistemology Review and Reply Collective*, Vol. 2, No. 11 (2014): 53-103; idem, “Islamic Political Economy,” 51.

<sup>74</sup> Masudul Alam Choudhury, “A Critique of Modernist Synthesis in Islamic Thought: Special Reference to Political Economy,” *American Journal of Islamic Social Sciences*, Vol. 11, No. 4 (1994): 477.

<sup>75</sup> See Imas al-Din Khalili, *Islamization of Knowledge: A Methodology* (Herndon, VA: International Institute of Islamic Thought, 1991), 7-8.

<sup>76</sup> Zubair Hasan, review of “Teaching Economics in Islamic Perspective,” by Siddiqi, *Islamic Economic Studies*, 6:1 (1998): 118.

<sup>77</sup> Siddiqi, *Teaching Economics in Islamic Perspective* (Jeddah: Scientific, Publishing Centre, King Abdulaziz University, 2005), 3-4.

<sup>78</sup> Siddiqi, *Teaching Economics in Islamic Perspective*, 4.

<sup>79</sup> Siddiqi, *Teaching Economics in Islamic Perspective*, 6.

*tawhīd*, based on the sources of Islam, which ought to be coordinated with the higher spiritual objectives and moral values, encompassing fulfillment of basic needs, equality, prohibition of hoarding, and concentration of wealth, freedom to obtain moral objectives, and economic growth accordingly.

Muhammad Akram Khan's outline of an Islamic worldview presupposes a theological-religious methodology, in that it stems from the religious script<sup>80</sup> and justifies a religious reading of an economic worldview. He studies notions of ownership, universalism, and equilibrium to warrants economic organization in Islam, which differs from market mechanism in that it aims to avoid accumulation of power and wealth. Despite his view that contemporary Islam economics is a free-market economy,<sup>81</sup> interest and hoarding are prohibited. Khan does not differ from other contemporary Muslim economists, in that he maintains that "economics must be open to contributions from other disciplines"<sup>82</sup> in order to attain an Islamic vision of economic life. Islamic economics draws upon the Islamic legal literature since for Khan it "studies the impact of these legal opinions on the behaviour of the people."<sup>83</sup> Moreover, Islamic economics includes the study of Islamic values, where the falsifiability criterion is applicable to the theories which tackle the *how* and not the *why* of the economic questions.<sup>84</sup> As such, Islamic economics is a normative discipline, since it not only addresses economic problems,<sup>85</sup> but also aspires to translate economic problems with regards to legal and, moreover, theological concerns.

### 3.2. Ethical Premise of Economic System and the Islamic Personality

For Muslim economist Umer Chapra, Islamic economics is rooted in ethics of the Islamic worldview.<sup>86</sup> Islamic economics advances the idea of a specific doctrine based upon the Islamic worldview and strategy, encompassing the principles of unity (*tawhīd*), vice-regency (*khilāfah*), justice (*‘adl*) and *maqāṣid*, or higher objectives of law. These foundations are rooted in the

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<sup>80</sup> The Qur’anic verses provide basic principles on economic matters, whereas the Sunna contains traditions that provide insights into the economic life of how a pious Muslim ought to behave. Muhammad Akram Khan, *An Introduction to Islamic Economics* (Islamabad: International Institute of Islamic Thought, 1994), 49. See also the Qur’an e.g. 2:276, 5:66, 6:44, 11:3, 11:52, 14:7, 20:124

<sup>81</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 8.

<sup>82</sup> Siddiqi, "An Islamic Approach to Economics," 155.

<sup>83</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 51.

<sup>84</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 63.

<sup>85</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 68.

<sup>86</sup> Chapra, "Ethics and Economics: An Islamic Perspective," *Islamic Economic Studies*, Vol. 16, No. 1 & 2 (2008 & 2009): 2.

Qur'an,<sup>87</sup> which are present in the theological concepts for explaining the Islamic economic worldview.<sup>88</sup> The importance of ethics, Chapra argues, is foundational to the economics theory of Islam.<sup>89</sup> If self-interest is over-emphasized without any moral impediments, other institutions, such as family, society, and government, may disintegrate and turn corrupt.<sup>90</sup> Hence, one of the distinguishing features of Islamic economics is the attachment to moral values, providing spiritual and moral uplift for individuals and society in changing their (economic) behaviour. This ameliorates changing one's moral compass before changing one's economic behaviour, which in turn asserts that the alternation of economic systems occurs only second to the individual restructuring of the soul.<sup>91</sup>

Scholars such as Siddiqi and Naqvi claim that "Islam is primarily about a spiritual view of life and a moral approach to life's problems, including the economics problem. The contentment Islam promised man is rooted in this spiritual and moral framework."<sup>92</sup> Such an approach is based upon four elements: unity (*tawhīd*), equilibrium (*'adl wa ihsān*), free will (*ikhtiyār*), and social responsibility (*fard*).<sup>93</sup> The unity element presupposes that an individual's economic activities ought to be exercised by ethical considerations of the Qur'an, whereby equilibrium stands for righteous actions for humanity based on social rights and economic justice. These axioms present synthetic truths of a Muslim society, whereby the validity can be verified or refuted.<sup>94</sup> The Islamic concept of freedom is distinct as it presupposes that man does not have absolute freedom, but it is relative in relation to God's will<sup>95</sup> – the law is not man-made but Divinely-inspired and thus universal for all mankind.<sup>96</sup>

While Naqvi rejects the positivistic view that separates economics from ethics, he upholds a broader view on economics that employs value judgments as scientific statements, and utilizing religious corpus as a textual source (of ethics).<sup>97</sup> This commitment, which breaks apart from

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<sup>87</sup> See e.g. Qur'an on *tawhīd* 3:191, 38:27, 23:15, *khalīfa* 2:30, 6:165, 35:39, 38:28, 57:7 and on *'adl* 5:8.

<sup>88</sup> These four categories, as important as they are nowadays, can be in a different form traced back to the writings of al-Ghazālī and other prominent Muslim scholars on the concept of *maṣlaḥa*, which makes Chapra one of the few contemporary scholars on the Islamization of Islamic economics linking the classical period with the modern times. Umer Chapra, *Islam and the Economic Challenge* (Nairobi, Kenya and Herndon, VA: The Islamic Foundation & IIIT, 1992), 210.

<sup>89</sup> Umer Chapra, "Ethics and Economics: An Islamic Perspective," 1.

<sup>90</sup> Umer Chapra, "Islamic Economics: What it is and how it developed," 6.

<sup>91</sup> See e.g. al-Ghazālī's, *Ihyā'* and his definition on the moral restructuring in Chapter Three.

<sup>92</sup> Siddiqi, keynote address to the Roundtable, in Abbas Mirakhor, *A note on Islamic Economics*, 10.

<sup>93</sup> See Seyed Nawab Haider Naqvi, *Islam, Economics, and Society* (London and New York: Kegan Paul International, 1994); Chapra, *Islam and the economic challenge* (Herndon, VA: International Institute of Islamic Thought, 1992).

<sup>94</sup> Naqvi, "The Dimensions of an Islamic Economic Model," *Islamic Economic Studies*, Vol. 4, No. 2 (1997): 4.

<sup>95</sup> See Qur'an, 96:6.

<sup>96</sup> Naqvi, "The Dimensions of an Islamic Economic Model," 5.

<sup>97</sup> Naqvi, *Islam, Economics, and Society*, xxii-xxiii.



purely material welfare, relates to the second characteristic of Islamic economic philosophy, namely, ethic economic philosophy. Such an economic philosophy entails economic growth and efficiency that are aligned with the notion of equity and justice.<sup>98</sup> Further, the Islamic maxim – *al-‘adl wa al-ihsān* or equilibrium – covers the mechanisms of consumption, production, and distribution-related activities, which stipulates the rights of the unprivileged in society, encourages the underclass to have a right (*haqq*) to socioeconomic prosperity, and prevents it from being subjected to prosperity only through charity.<sup>99</sup>

One of Naqvi’s main objectives is to present and analyze “an essentially ahistorical view of the Islamic ethical perception, in which a ‘typical’ Muslim *believes* without question. Such a view is ‘representable’ by a set of four axioms, namely, Unity, Equilibrium, Free Will, and Responsibility.”<sup>100</sup> Based on religion as its main source, Muslim economists pointed out that Islamic economic philosophy differs substantially from other mainstream economic systems.<sup>101</sup> The idea of ethics in economics does not mean, in reverse, that economics does not have an impact on human ethical behaviour,<sup>102</sup> but rather that ethically-stipulated teachings play a pivotal role in economic matters in Islam, whereby individual happiness is measured by one’s own welfare as well as the welfare of others – that is, especially of the needy and the poor. As such, for many Muslim economists, Islamic economics does not deal with a utopian Islamic or Muslim society, but addresses “falsifiable statements about the economic behaviour of ‘representative’ Muslims in a typical real-life Muslim society with reference to the ideals that impart a distinct ‘personality’,”<sup>103</sup> an account which in Naqvi’s view diverges from the existing literature on Islamic economics.

The idea of a distinctively “Islamic individual,” or the “Islamic personality” (*al-shakhṣiyyāt al-islamiyyah*), was developed as an antidote to the secular-rational logic of economic

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<sup>98</sup> Naqvi, “The Dimensions of an Islamic Economic Model,” 8.

<sup>99</sup> Naqvi, “The Dimensions of an Islamic Economic Model,” 9. Naqvi advances the “optimum regime” as the best economic system, followed by presenting mathematical formulas and explanations for them, advocating the idea that ethical economy is as efficient as value-free positivistic economics. The “mathematization” of Islamic economics is problematic for various reasons. First, economic formulas do not necessarily relate to the practice on the ground; second, they are most of the time complex and scientific explanation of economic theories does not necessarily correspond to its theoretical base; third, mathematical formulas require certain knowledge that the majority of the theoreticians do not have; and fourth, combining Islamic ethical tenants on economic matters with western-inspired mathematical formulas does not facilitate desired epistemological result of the subject.

<sup>100</sup> Naqvi, *Islam, Economics, and Society*, xviii.

<sup>101</sup> As pointed out by al-Ṣadr, this method might be problematic, namely, if economics deals only with ethical stipulations, while for its research applying moral values, it cannot be regarded as scientific. See al-Ṣadr, *Iqtisādunā*, Vol. 1, 89.

<sup>102</sup> Poverty and riches would have an impact on man’s behaviour. Further, Marxism considers ethic but it positions it on a lower level, since it confirms that economic conditions (relations of production) are primary concerns in societies. Naqvi, *Islam, Economics, and Society*, xix.

<sup>103</sup> Naqvi, *Islam, Economics, and Society*, xix-xx.

science, and as a control mechanism for society.<sup>104</sup> This so-called *homo islamicus* is the agent of the Islamic economic model in practice,<sup>105</sup> founded upon the adherence to *Sharī'a* regulations, by maintaining a distinctively Islamic character of the socioeconomic reality. In this context, Islam rejects the notion of absolute ownership, either from a state or an individual, since the sole ownership of all possessions is God.<sup>106</sup> This principle of ownership and trusteeship according to Islamic law “minimizes the consequence-insensitivity of the capitalistic conception of a relatively freer exercise of the right to private property,”<sup>107</sup> which is the element that prompts individuals who have wealth to give to those who have less. Drawing on Islamic law, he asserts that the institution of private property is attainable only through one’s own labour.<sup>108</sup> Labour is the sole principle through which private property can be obtained, whereby the equilibrium axiom perpetuates the exercise of (social) justice.<sup>109</sup> Despite the fact that various Muslim scholars recognize multiple forms of ownership (consisting of state, individual, and dual ownership), Siddiqi<sup>110</sup> and Ahmed Mannan<sup>111</sup> strongly support private ownership. As suggested, too, by al-Ṣadr below, the state should play a role in implementing policies of private property and ownership.<sup>112</sup> Similarly for Chapra, the role of the state is an interventionist positive one, seen as a moral obligation, complying with the Divine laws.

### 3.2.1. Social Justice and Moral Filter

A key characteristic of Islamic economic doctrine worth our attention are the ideas of objectivism and moralism. For many scholars, the support for economic purchases is not derived from material conditions separate from spiritual ones, thus Islamic economic objectives are expressions of practice encapsulated in the scriptural sources of Islam and in the theories laid down by Islamic classical scholars. Some have asserted that the principle of social justice is encapsulated in Islamic economic fabric and the distribution of wealth. Al-Ṣadr defines Islamic economics in light of justice as being the preferred way “to follow in the pursuit of its economic

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<sup>104</sup> Charles Tripp, *Islam and Moral Economy*, 112.

<sup>105</sup> Al-Ṣadr, *Iqtisādunā*, 260.

<sup>106</sup> This claim is based on the Qur’anic principle indicating that God is the owner of the heavens and the earth, whereby man has been entrusted the role of the vicegerent on earth. See Qur’an 3:180.

<sup>107</sup> Naqvi, “The Dimensions of an Islamic Economic Model,” 6.

<sup>108</sup> Naqvi, *Islam, Economics, and Society*, 100.

<sup>109</sup> See also e.g. Seyyed Maḥmūd Tāliqānī, *Islām va Mālkīyāt*, trans. Ahmad Jabbari and Farhang Rajaee (Lexington, Kentucky: Mazda Publishers, 1983).

<sup>110</sup> Siddiqi, *Some Aspects of the Islamic Economy* (Lahore: Islamic Publications, 1978), 120-122.

<sup>111</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 332-334.

<sup>112</sup> See al-Ṣadr, *Iqtisādunā*, Vol. 2, part 2, chapter 3.

life and in the solution of its practical economic problems in line with its concept of justice.”<sup>113</sup> Rodney Wilson has described al-Ṣadr’s approach as “holistic, and it can be categorized as ‘juristic-economic’ with the moral valuation of economic actions playing the central role.”<sup>114</sup> In this context, social justice is part of the economic doctrine of Islam with a defined meaning, and it pertains to two general principles: general reciprocal responsibility and social balance.<sup>115</sup>

The majority of contemporary Muslim economists maintain that the normativity of Islamic economic science is not a “neutral” economic system, but rather one that rests upon the intelligibility of moral and social justice, and thus requires taking efficient actions. Its normativity is reflected in the context-dependent and consequence-sensitive circumstances, whereby individual freedom meets social responsibility. Islamic economics has a specific social and ethical narrative that expands to the means of production, consumption, commercial exchange, and distribution, encompassing norms and rules; it therefore ought to be seen as a system.<sup>116</sup> As such, it manages a worldview “where the ontological and epistemological sources namely the Qur’an and *aḥādīth* determine the framework of the economic value system, the operational dimension of the economy and also the economic and financial behavioural norms of the individual Muslims.”<sup>117</sup>

By applying an axiological approach to Islamic economics and its ethical philosophy through the application of mathematics,<sup>118</sup> Naqvi advocates the parameters of social justice, which entails the study of moral philosophy<sup>119</sup> and repudiates poverty, inequality, and overconsumption.<sup>120</sup> Chapra is, however, the main proponent of the notion of the so-called moral filter,<sup>121</sup> or a moral code in Islam, which functions as an equilibrium between demand and supply for the purposes of defending the underprivileged. The Islamic market places a dual filter – a moral and a market one – on the agent or subject to attain a spiritual uplift, and in such a relationship, the state plays a dynamic role.<sup>122</sup> The first filter is related to the notion of *khalīfa*

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<sup>113</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 6.

<sup>114</sup> Rodney Wilson, “The Contribution of Muhammad Baqir al-Sadr to Contemporary Islamic Economic Thought,” *Journal of Islamic Studies*, Vol. 9, No. 1 (1998): 47.

<sup>115</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 51-60.

<sup>116</sup> Farhad Nomani, Ali Rahnema, *Islamic economic systems* (University of California: Zed Books, 1994), 41.

<sup>117</sup> Mehmet Asutay, “A political economy approach to Islamic economics,” *Kyoto Bulletin of Islamic Area Studies*, 1-2 (2007): 10.

<sup>118</sup> Naqvi, *Islam, Economics, and Society*, xiii.

<sup>119</sup> Naqvi, *Islam, Economics, and Society*, xvii.

<sup>120</sup> Naqvi, *Islam, Economics, and Society*, 87.

<sup>121</sup> Chapra, *The Future of Economics: An Islamic Perspective* (Markfield, Leicester: The Islamic Foundation, 2000); idem, “Ethics and Economics: An Islamic Perspective,” *Islamic Economic Studies*, Vol. 16, No. 1 & 2 (2008 & 2009): 1-24; M Muhammad Akram Khan, *What is Wrong with Islamic Economics? Analysing the Present State and Future Agenda* (Cheltenham, UK, Northampton, US: Edward Elgar Publishing, 2013), 34.

<sup>122</sup> Chapra, *Islam and the Economic Challenge*, 214.

and ‘*adl*, and provides Divine sanctions and rules for behaviour.<sup>123</sup> However, inequality is believed to be natural to society, irrespective of the worldview being religious or secular, since “in a free market there is [a] foolproof method of suppressing human desire.”<sup>124</sup> Because the free market never restrains riches and comfort, Chapra believes that through government regulation and a proper education and upbringing,<sup>125</sup> human behaviour can become its own arbiter.<sup>126</sup>

### 3.2.2. The Component of *Falāḥ*

Material provision and resource allocation are beneficial for mankind, however, using them comes with certain responsibilities that must be observed, since man is seen as a vicegerent of God.<sup>127</sup> Drawing an image of human nature through Islam’s recognition of man’s dual nature – as selfish and altruistic – paints the idea of Islamic economic paradigm as a voluntary approach to economic provisions.

The concept of *falāḥ*,<sup>128</sup> roughly translated as achieving happiness, has been promoted in ethical teachings related to Islamic economics, whereby to attain *falāḥ* several conditions must be met. The spiritual conditions consist of humility in prayers (*khushū’*), consciousness of God (*taqwā*), remembrance of God (*dhikr*), repentance for sins (*tawbah*), and inner purification (*tazkiyyah*).<sup>129</sup> This translates that spending for others, meaning those who are in need of economic support, is a social and spiritual necessity. The economic conditions of *falāḥ* are categorized in five concepts, namely, *infāq*; prohibition of *ribā*; the notion of trust; justice; and enterprise. *Infāq* should be exercised only for the sake of God, and it means spending on other members of society out of one’s surplus. This is distinguished from social charity, as it includes

<sup>123</sup> “To accept what is and not to struggle for the realization of the vision or what ought to be is a vote in favour of the prevailing inequalities and of doing nothing to remove them. Such an attitude cannot be justifiable within the Islamic worldview. The mission of human being is not just to abide themselves by the Islamic values, but also to struggle for the reform of their societies in accordance with these.” Chapra, “Ethics and Economics: An Islamic Perspective,” 13-14.

<sup>124</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?* 34.

<sup>125</sup> Chapra, “The Need for a New Economic System,” in *The Political Economy of the Middle East*, eds. Tim Niblock and Rodney Wilson (Cheltenham, UK: Edward Elgar, 1999), Vol. 3, 100.

<sup>126</sup> See Chapra, *The Future of Economics: An Islamic Perspective*, Markfield, Leicester: The Islamic Foundation, 2000.

<sup>127</sup> See Qur’an 7:31, 17:70, Muhammad Akram Khan, *An Introduction to Islamic Economics*, 4.

<sup>128</sup> *Falāḥ* is derived from the verb *aflaha*, *yuflihu* – to thrive, achieve happiness, success etc. The Qur’an emphasizes that *falāḥ* (individual and common success or good) has to be achieved in worldly life, although the ultimate goal is the *falāḥ* in the hereafter. The notion of *falāḥ* has to be categorized in spiritual, economic, cultural and political domains, and can be differentiated on the basis of survival (physical health, economic base, social brotherhood, political participation etc.) and freedom (self-reliance, respect, civil liberties etc.). These two categories exist on the personal (micro) as well as state (macro) level. Muhammad Akram Khan, *An Introduction to Islamic Economics*, 35-36.

<sup>129</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 36.

*zakāt*, which is described as an obligation with a spiritual dimension, through which *falāḥ* can be achieved (*zakāt* would be considered as part of the *infāq*).

## 4. Islamic Economics and Forms of Western Knowledge

### 4.1. Islamic Economics versus Mainstream Economic Systems

Since faith and morality are in Islamic economics intertwined, both inductive and deductive methods of reasoning are used by Muslim economists. Deductive reasoning constitutes the majority of Islamic economics.<sup>130</sup> In essence, it presupposes an “Islamic position” on human development and humankind’s socioeconomic situation. Even if the methodology of Islamic economics draws upon the Divine text, contemporary Muslim economists claim that it also prioritizes an inductive method associated with the theory of (scientific) falsification.<sup>131</sup>

Most Muslim economists aimed to differentiate Islamic (political) economy from the mainstream economic system,<sup>132</sup> and to extend the scientific analytical model to the realm of religion and Islamic ethos. The vast literature on Islamic finance, under the title of “Islamic economics,” gives an impression that one of the main differences between mainstream and Islamic economics lies in the application of economic instruments and not in its epistemology and economic philosophy.

Various epistemological positions and contradictory views on Islamic economics are best evidenced through the works of the aforementioned Muslim economists such as Choudhury, Siddiqi, Chapra, Naqvi, and others.<sup>133</sup> It has been argued that in traditional economics, it is the individual who is the measure of its epistemology; by contrast, in Islamic tradition, the justice-driven concept of *maṣlaḥa* replaces social utility,<sup>134</sup> which is for contemporary economists based on ethical considerations. Islamic economic philosophy is not driven by egoism and selfishness

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<sup>130</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 66.

<sup>131</sup> See for instance al-Ṣadr discussion on economic science and doctrine in *Iqtisādunā*, Vol. 1, part 2, chapter 2.

<sup>132</sup> For critique of defining Islamic economics in relation to capitalist and socialist systems, see e.g. Thomas Philipp: “The negative definition of what Islamic economics is not serves a very concrete purpose, namely, the attack on and the denouncement of secular, especially socialist and communist, forms of social and economic order. It is the first step toward asserting an own identity and toward developing a positive content for a specifically Islamic economic order.” Thomas Philipp, “The Idea of Islamic Economics,” *Die Welt des Islams*, New Series, Bd., 30, Nr. 1/4, (1990): 124

<sup>133</sup> See Abbas Mirakhor, *A note on Islamic Economics* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2007), 12.

<sup>134</sup> See e.g. Taha Egri and Necmettin Kizilkaya, eds., *Islamic Economics: Basic Concepts, New Thinking and Future Directions* (Cambridge: Cambridge Scholars Publishing, 2015).

as is found in neo-classical economics, but by the rule of commitment and welfare.<sup>135</sup> This presupposes a two-fold, voluntarist motivation meant to attain higher spiritual truth.<sup>136</sup> Naqvi's axiomatic approach criticizes the attempts to purify capitalism and is favour for strong state's presence,<sup>137</sup> while challenging the neoclassical economic paradigm due to its lack of moral dimension.<sup>138</sup> Islamic political economy is interpreted as "the study of interactive-integrative interrelationships between the Islamic polity and the ecological order,"<sup>139</sup> the latter indicating also a market system wherein *Shari'a* is perceived as the epistemological base. Alternatively, Muhammad Akram Khan favors studying Islamic economics from the point of view of modern economic mechanisms,<sup>140</sup> even though he asserts that "the work done by the Western economists has a lot of useful material but it need to be reviewed in the light of Islamic teachings."<sup>141</sup> He is rather critical of the current state of affairs of neoclassical economics, due to unemployment, the even-bigger public debt, and the lack of economic development. He is more hopeful in an Islamic economic model, which presupposes the abolishment of interest on capital and an institutional arrangement.

Since the vast literature on Islamic economics deals with basic concepts and principles in a superficial manner, this indicates that the subject is not theoretically sound and the relations between economic ideas and basic Islamic principles have been insufficiently analyzed. The literature "lacks a comprehensive discussion of the basic believes and values."<sup>142</sup> *'Ulamā'* wrote on those issues using a theological jargon that differed significantly from the lexicon employed by economists. As a result, the discussion of the theoretical significance of Islamic economics has been general in content. Though the market-economy and socialism of recent centuries have, according to Choudhury, a common worldview, their strategies of interpretation are different. The capitalist worldview rests upon an essentially secularist worldview, rooted in Enlightenment philosophy, which spotlights the faculty of reason and undermines the role of religion in society.<sup>143</sup> In such a worldview, materialism and utilitarianism generated a rational economic

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<sup>135</sup> "You will not attain unto piety until ye spend of that which you love" (Quran 3:92).

<sup>136</sup> For Naqvi's question about the aim of Islamic economic system see Seyed Nawab Haider Naqvi, "The Dimensions of an Islamic Economic Model," 2. See also Timur Kuran, "Islamic Economics and the Islamic Subeconomy," *Journal of Economic Perspectives*, Vol. 9, No. 4 (1995): 155-173.

<sup>137</sup> Mohamed Aslam Haneef, *Contemporary Islamic Economic Thought: A Selected Comparative Analysis*, 6.

<sup>138</sup> Seyed Nawab Haider Naqvi, *Islam, Economics, and Society*, xiii.

<sup>139</sup> Alam Choudhury, "Critique of Current Thinking in Islamic Political and Economic Issues," *Islamic Quarterly*, Vol. 42, 2 (1998): 129.

<sup>140</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 54.

<sup>141</sup> Muhammad Akram Khan, "Islamic Economics: The State of the Art," 283.

<sup>142</sup> Muhammad Akram Khan, "Islamic Economics: The State of the Art," 284.

<sup>143</sup> Fernand Braudel, *Civilization and Capitalism 15<sup>th</sup>-18<sup>th</sup> Century* (London: Commerce, 1983); Charles Tripp, *Islam and the Moral Economy*, 2-4.

man. On the other hand, socialism realizes its economy at the expense of individual freedoms in the role and function of the state, while generating a distrust among human beings to manage private property.<sup>144</sup> In comparison to the secularist economic systems, the proponents of Islamic economics claim that the Islamic worldview fuses the material and the spiritual realms,<sup>145</sup> in order to materialize the sociopolitical and spiritual faculties of individuals. Despite propagating market mechanisms,<sup>146</sup> it predicates that market (economy)<sup>147</sup> does not fulfil all human needs, since the excessive use of resources by the wealthy against the poorer segments of society is inevitable. In “contrast with the secularist worldview of the failed systems, the Islamic worldview is a balanced synthesis of both the material and the spiritual dimensions of life.”<sup>148</sup> Since religious worldviews pertain to material as well as spiritual well-being,<sup>149</sup> Islamic economics – unlike the secular-based economic systems – never departed from its religious background and postulates.

Conversely, there are propositions to study Islamic economics as a behavioural science from a comparative perspective using conventional economics.<sup>150</sup> In this light, Islamic economics is a sub-system of economic science, since there is no discipline that is not Islamic.<sup>151</sup> Iranian economist Sohrab Behdad is nevertheless certain that the economy will remain capitalistic since the interventionist role of the state in accommodating a social balance does not extract other pressing economic problems from the subject matter that is capitalistic in nature. According to al-

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<sup>144</sup> Umer M. Chapra, “The Need for a New Economic System,” *Review of Islamic Economics*, Vol. 1, No. 1 (1991): 90.

<sup>145</sup> See Frithjof Shoun, *Understanding Islam*, trans. D.D. Matheson (London: Allen & Unwin, 1963); Fazlur Rahman, *Islam* (Chicago & London: Chicago University Press, 2002).

<sup>146</sup> See Umer Chapra, “Islamic Economics: What it is and how it developed,” 7.

<sup>147</sup> For Chapra, conventional economics is neutral about ethics, whereby humans are deemed selfish, and free market is efficient in allocating the resources. Umer Chapra, “Islamic economic thought and the new global economy,” *Islamic Economic Studies*, Vol. 9, No. 1 (2001): 16-17.

<sup>148</sup> Umer Chapra, “The Need for a New Economic System,” *Review of Islamic Economics*, Vol. 1, No. 1 (1991): 9-47; reproduced in Tim Niblock and Rodney Wilson, *The Political Economy of the Middle East* (Cheltenham, UK: Edward Elgar, 1999), Vol. 3 (Islamic Economics), 76-114, 99. See also Frithjof Schuon, *Understanding Islam*, trans. D.D. Matheson (London: Allen & Unwin, 1963).

<sup>149</sup> Umer Chapra, “Islamic Economics: What it is and how it developed,” EH.NET Online Encyclopedia of Economics and Business History, 3. Accessed, October 2015; see also Umer Chapra, “Ethics and Economics: An Islamic Perspective,” *Islamic Economic Studies*, Vol. 16, No. 1 & 2 (2008 & 2009): 1-24.

<sup>150</sup> “The rebirth of Islamic economics in the early part of the twentieth century was dominated by scholars and writers with a background in Islamic sciences. This strongly influenced its scope and methodology, giving Islamic economics a *fiqhī* and common knowledge type of tendency. In the mid-1970s a new generation of trained economists started their research in Islamic economics. For many reasons, the tendency persists to overstate the differences between Islamic and conventional economics to the extent that some like to believe that Islamic economics is a distinct discipline, quite independent of conventional economics. The present paper does not take such a position.” Monzer Kahf, “Islamic Economics: Notes on Definition and Methodology,” *Review of Islamic Economics*, 13 (2013): 25.

<sup>151</sup> Monzer Kahf, “Islamic Economics: Notes on Definition and Methodology,” 30.

Ṣadr, one of the forerunners of Islamic economics, the capitalist economic system is based upon three specific elements: freedom of ownership, freedom of exploitation, and freedom of consumption.<sup>152</sup> Al-Ṣadr contends that despite the apparent difference between capitalist and Marxist economy in addressing the issue of private rights and ownership, both systems have in common an endorsement of individualistic-oriented perception of nature. He heavily criticized not only the Marxist doctrine of economic supplication, but also the capitalist doctrine in which the freedom of economic exploitation provides grounds for presumably provision of welfare in society and production growth.<sup>153</sup> Hence, al-Ṣadr argues that Islamic economics differs substantially from capitalist and socialist in three main ways: nature of ownership, economic freedom, and social balance.<sup>154</sup>

Islamic doctrine differs from conventional economic systems on the question of private ownership as a fundamental principle, and it sets up different forms of ownership simultaneously – private, public, and state ownership. The right to private property and inheritance tends to be one of the main features of the capitalist system.<sup>155</sup> Theoretically, everyone has the right to acquire wealth and private property, which is economically, socially or otherwise deprived; this inevitably generates social and economic inequalities. The system's mechanisms of production are neither owned by the state nor by the community but by individuals, which implies that the inner structure of capitalism does stifle economic gains and individuals' benefits rather than increasing them for the public good. A second important element is economic freedom, which is linked to the usage of contracts and private properties. The motive for profit and the absence of a mediator and/or systemic regulation of these uncontrolled gains for profits include risk, generating competition, and excluding other possible parties. It may seem that this arrangement in an Islamic society is capitalist in nature, but Al-Sadr disagrees, arguing that it allows a number of seemingly capitalistic appropriations within the means of production. For this is a manifestation of an era and not an ethical prerogative.

## 4.2. Islamic Economics as Islamic and Social Science

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<sup>152</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 6.

<sup>153</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 24.

<sup>154</sup> In Islam, for instance, the notion of double ownership is possible. Private ownership is not a general rule in Islamic but in capitalist economy, which does not recognize public ownership for the general good, whereas the opposite is the case in a socialist society. According to al-Ṣadr, common ownership is in Islam a general principle. Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, Part 2, 5.

<sup>155</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, Part 2, 5-8.



As Pakistan was in a formative stage introducing Islamic principles to economic systems,<sup>156</sup> Muhammad Abdul Mannan, a US-trained Pakistani economist in 1970, published the seminal textbook on the subject matter entitled *Islamic Economics: Theory and Practice*.<sup>157</sup> At the time, Islamic economics was not yet taught at universities. In 1978, he joined the International Center for Research in Islamic Economics in Jeddah, and in 1984 he published two more books on the subject, *The Making of Islamic Economic Society* and *The Frontiers of Islamic Economics*.<sup>158</sup> Mannan defines Islamic economics as a dynamic social science,<sup>159</sup> seeing it neither as a normative nor as a positive science limited only to Islamic economic agent.<sup>160</sup> Instead, he interlinks the two aspects,<sup>161</sup> and by integrating the social paradigm in the state formation, he focuses on the moral economic restructuring of the individual through social cohesion, which presupposes *Sharī'a* as the law of the state.<sup>162</sup> By rejecting the idea behind excessive consumerism and overproductivity, he proposes the idea of voluntary cooperation, based on the norms of *Sharī'a*, which would regulate both man's economic behaviour and (state) supervision of markets.<sup>163</sup>

Al-Ṣadr's proposes studying Islamic economics as part of the system as a whole.<sup>164</sup> The interconnectedness of the Islamic economy with the concept of Islamic belief relates to economic justice, ownership rights, social responsibilities; hence it cannot be purely material accounting. Even though Islamic economics is for al-Ṣadr not a science, it can constitute a scientific inquiry through "comprehensive religious study." Elaborating further, he states that there is a difference between economic doctrine and economic science. The former presupposes an expression on the way of life society prefers to follow while the latter gives explanation of the economic life. The line of distinction in what constitutes science and doctrine is the ideology of social justice. According to al-Ṣadr, "The economic doctrine consists of every basic rule of economic life connected with the ideology of social Justice. And the science (of economics) consists of every theory, which explains the reality of economic life apart from a prefixed ideology or an ideal of

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<sup>156</sup> Muhammad Haneef, *Contemporary Islamic Economic Thought: A Selected Comparative Analysis* (Kuala Lumpur: S. Abdul Majeed & Co, 1995), 14.

<sup>157</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986).

<sup>158</sup> See Muhammad Abdul Mannan, *The Making of Islamic Economic Society: Islamic dimensions in economic analysis*, (Cairo: International Association of Islamic Banks; Turkish Federated State of Kibris, Turkish Cyprus: International Institute for Islamic Banking and Economics, 1984); idem, *The Frontiers of Islamic Economics* (Delhi: Idarah-i Adabiyat-i Delli, 1984).

<sup>159</sup> Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 9-12, 51.

<sup>160</sup> Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 24.

<sup>161</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 9.

<sup>162</sup> Muhammad Abdul Mannan, *The Frontiers of Islamic Economics*, 42.

<sup>163</sup> Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 200.

<sup>164</sup> Al-Ṣadr, *Iqtisādunā*, Vol. 1, 64 ff.

Justice.”<sup>165</sup> This view asserts that the economic preservation and expropriation of social rights is intrinsically embedded in the doctrine of Islamic economic writings. He subscribed to the notion that economics is a neutral instrument of analysis with universal validity that is capable of explaining economic behaviour of men. Moreover, Islamic economics is regarded as a doctrine for the way Muslims follow the pursuit of their economic gains. It is concerned with the distribution of wealth, whereas science tends to the laws of production.<sup>166</sup> If this view is to be attained, then every investigation over the production of goods is the subject of the science of economics, and every acquisition of wealth or ownership is doctrinal.

On the other hand, for Siddiqi who advocates *fiqh*-based neoclassical economics,<sup>167</sup> economics is a reflection of a worldview and is thus against the idea of economic (pre)determination.<sup>168</sup> He defines three distinct components of Islamic economics that are encapsulated in the notions of social goals, social relations, and the ideal socioeconomic reality. In more elaborated terms, he perceives social goals and individual behavioural patterns as being reflective to the ends that are in accordance with the norms and values of Islam. This presents a point of convergence between legal specialists and economists, whereby “the economist – one who specializes in the knowledge of the economic problems and processes – who can discern the relevance of particular Shari‘ah rules or its general percepts for real life economic problems.”<sup>169</sup> Siddiqi is certain that an economist can decipher the looming matters within the legal as well as sociopolitical realm. The second component pertains “to the analysis of human behavior, social relations, processes and institutions which relate to production, distribution and consumption of wealth which fulfils needs”<sup>170</sup> in light of positive economics coupled with *Sharī‘a*-stipulated norms. He warns that the prevalent methodology caters to “western modes of behaviour to have universal validity.”<sup>171</sup> In order to further the discipline of Islamic economic science and define human motivation, an Islamic economist may resort to history, sociology and other fields. The third component relates to realizing the goals of *Sharī‘a*, rooted in the Qur’an, in real time economy. As such, Islamic economics is “both a science, analyzing its data, and an art, discussing ways of creating a new order.”<sup>172</sup> Attempts to modify the exiting economy “thorough

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<sup>165</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 9.

<sup>166</sup> Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 5.

<sup>167</sup> Muhammad Haneef, *Contemporary Islamic Economic Thought: A Selected Comparative Analysis*, 6.

<sup>168</sup> Nejatullah Siddiqi, *Some Aspects of the Islamic Economy*, 11-13.

<sup>169</sup> Nejatullah Siddiqi, “An Islamic Approach to Economics,” 168.

<sup>170</sup> Nejatullah Siddiqi, “An Islamic Approach to Economics,” 168.

<sup>171</sup> Siddiqi does not conceal his methodology of neoclassical-Keynesian school, coupled with Islamic moral and legal values. For more see Mohamed Aslam Haneef, *Contemporary Islamic Economic Thought: A Selected Comparative Analysis* (Kuala Lumpur: S. Abdul Majeed & Co, 1995).

<sup>172</sup> Nejatullah Siddiqi, “An Islamic Approach to Economics,” 169.

Islamization of economics” by developing financial institutions, despite some being committed to the neoclassical-Keynesian economic model,<sup>173</sup> and social sciences,<sup>174</sup> have dominated the discourse. From the outset, the economic model should incorporate human behaviour, yet “there is no way to verify claims for the superiority of the Islamic economic system,”<sup>175</sup> since no existing economic model has thus far implemented Islamic economic teachings. While some admit that Islamic economics builds upon a well-established tradition of a western history of economic ideas,<sup>176</sup> this does not automatically translate into establishing a moral economy by Islamizing economic institutions.<sup>177</sup> Even though the Qur’an provided the moral framework, it does not contain “a distinctive paradigm for Islamic economics,”<sup>178</sup> which is why economics for him will turn into an interdisciplinary science.<sup>179</sup>

Naqvi affirms that Islamic economics as a distinct discipline does exist, and he divides the existing group of authors into the following two categories: the mono-economists or the proponents of the neoclassical economics, and the critics of Islamic economics who reject its scientific teachings.<sup>180</sup> Unlike contemporary Muslim economists, many of whom have pushed for

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<sup>173</sup> Zubair Hasan, review of *Teaching Economics in Islamic Perspective*, by Siddiqi, *Islamic Economic Studies*, Vol. 6, No. 1 (1998): 113.

<sup>174</sup> Nejatullah Siddiqi, *Riba, Bank Interest and the Rationale of its Prohibition* (Jeddah: Islamic Development Bank, Islamic Research & Training Institute, 2004); idem, *Teaching Economics in Islamic Perspective* (Jeddah: Centre for Research in Islamic Economics, KAAU, 2005).

<sup>175</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 33.

<sup>176</sup> See Adam Smith, *Wealth of Nations* and the theory of economics as part of moral system. Smith’s work has been interpreted in light of the moral predicaments by Thomas Philipp, “The Idea of Islamic Economics,” *Die Welt des Islams*, New Series, Bd. 30, Nr. 1/4, 1990; and by Abbas Mirakhor, *A note on Islamic Economics* Jeddah: Saudi Arabia: Islamic Development Bank, Islamic Research and Training Institute, 2007, 15-17: “Careful reading of the Theory of Moral Sentiments and The Wealth of Nations seems to indicate that Smith’s view are based and focused on two characteristics that the postulated for human nature: self-interest and the need for social cooperation, both of which he needs to explain the workings in the market. A ‘pure selfishness’ seems an unnecessarily strong assumption for a theorist like Adam Smith with a moral/ethical orientation, on the one hand, and belief in parsimony and Occam’s Razor, on the other.” See also David Lieberman, *Adam Smith on Justice, Rights, and Law* (UC Berkeley Public Law and Legal Theory Working Paper No. 13, December 1999), available at <http://dx.doi.org/10.2139/ssrn.215213>.

<sup>177</sup> See Siddiqi’s approach in Nejatullah Siddiqi, “An Islamic Approach to Economics,” 165.

<sup>178</sup> See Nejatullah Siddiqi, *Muslim Economic Thinking: A Survey of Contemporary Literature* (Leicester: The Islamic Foundation, 1981).

<sup>179</sup> Muhammad Haneef, *Contemporary Islamic Economic Thought: A Selected Comparative Analysis*, 32.

<sup>180</sup> The Islamic society for Naqvi differs from the Muslim societies, upon which the economic doctrine is drawn. Economic laws derive from society, and thus do not present the absolute truth, and since religious texts are perceived as sacred, entailing ethical stipulations, they are often utilized as the methodological starting point. This inevitably addresses the question of validity and objectivity of the subject matter. Naqvi navigates out of this dilemma by quoting Harsanyi who upheld that value judgments can be proven to be “objectively invalid – if they are contrary to the facts or because they are based on the wrong value perspective.” Seyed Nawab Haider Naqvi, *Islam, Economics, and Society*, 19. This procures that Islamic economics, with its religious-ethical considerations, is only in theory a reflection of economics in Muslim societies, which further extrapolates the critique that will be analyzed in Chapter Four and Five of this thesis.

the shift toward the neo-classical economic paradigm, Islamic legal specialists have tried to deduce moral teachings of economics from the Islamic sources.<sup>181</sup> Both groups, however, tend to conflate the epistemological foundations of economic thought in Islam with the need for an Islamic state, which would rest upon Islamic law.

## 5. Islamic Jurisprudential Economics and Islamic Law

Contemporary scholars on Islamic economics employ concepts such as *Sharī'a*, Islamic law, moral law, ethics, and social justice when discussing the core norms of Islamic economics, justifying the existence of Islamic economics using ethical and legal terms. In spite of numerous theories of and approaches to the Islamic economic subject, the majority of them base their arguments on the ethical values of the Qur'an and the scriptural sources. Their epistemological justifications of the legal and the moral are, however, based on the modern understanding of the seemingly uncontested views on Islamic tradition and worldview.

For the majority of contemporary Muslim economists, Islamic economics is grounded in *fiqh* foundations.<sup>182</sup> The methodology of *fiqh* is very different from the methodology of economic science, since *fiqh* rules contain technical and normative statements of value.<sup>183</sup> Contemporary economic policies are descriptive and do not decipher what is allowed or forbidden. Since modern interpretations of *fiqh* align with the concept of the legal, they entail various legal rules on transactions, family matters, criminal law, and worship-related practices, yet they do not give precedence to the premodern composition of the moral economic behaviour of man.

Siddiqi recommends considering the Qur'an and Sunnah as the primary sources and the reality of contemporary environment as the second, whereas *fiqh* would provide an answer to how to apply Islamic legal precepts to economic values.<sup>184</sup> For al-Ṣadr, an Islamic economic doctrine is depicted as an ethical system since it deals with (economic) justice, correlating to Islamic legal precepts (*aḥkām*), which play certain role in preserving economic justice and

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<sup>181</sup> Akram Khan Muhammad, *An Introduction to Islamic Economics*, v-vi.

<sup>182</sup> "Roots of Islamic economics should, by definition, lie in Fiqh." M. Fahim Khan, "Fiqh Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of Fiqh," 62.

<sup>183</sup> Muhammad Yusuf Saleem distinguishes between *fiqh* methodology and economic methodology in Islam, yet he defined Islamic economics as a social science which is problematic in itself. Muhammad Yusuf Saleem, "Methods and Methodologies in Fiqh and Islamic Economics," *Review of Islamic Economics*, Vol. 14, No. 1 (2010): 112. For a detailed discussion on the different methodologies between conventional and Islamic economics see Waleed A.J. Addas, *Methodology of Economics: Secular vs. Islamic* (Kuala Lumpur: International Islamic university Malaysia, 2008).

<sup>184</sup> See Abbas Mirakhor, *A Note on Islamic Economics*, 11.

property rights.<sup>185</sup> The legal precepts extend to the distribution of wealth, including private, state, public ownership, *umma*-ownership, people's ownership, and common ownership (state and public).<sup>186</sup> While Naqvi sees his approach as axiomatic and inductive since he believes the workings of an Islamic economy can be seen in the behaviour of Muslim society,<sup>187</sup> al-Ṣadr, on the other hand, deduces economic principles from Islamic law.<sup>188</sup> As such, individual responsibility is a prioritized factor in pursuing a moral economic endeavour.

### 5.1. *Mu'āmalāt* as Commercial Law and *Maqāṣid al-Sharī'a*

Commercial law and *mu'āmalāt* are most dominant in the field of Islamic finances.<sup>189</sup> Historically, many jurists conceived the whole of Islamic law as falling into four major fields, referred to as “the four quarters, i.e., rituals, sales, marriage and injuries” and the quarter of sales, which “would encompass, among many other subjects, partnerships, guaranty, gifts and bequests.”<sup>190</sup> Islamic commercial law, or Islamic law of transactions, has been regarded as one of the most important mechanisms in the field of (contemporary) economic jurisprudence. *Mu'āmalāt* as part of *fiqh* discerns the lawful from unlawful in the development of economics and finances. Most of the *mu'āmalāt* transactions and procedures are approached and conducted from the *fiqh* perspective, involving future contracts, sales and purchase of commodities, and others.<sup>191</sup>

The Qur'anic text gives incentives to economic, financial, constitutional, and commercial legislation which are confined within the spectrum of the higher objectives of Islamic law (*maqāṣid*), whereas the subject of transactions, deferred payments, (excessive) usury,<sup>192</sup> property

<sup>185</sup> Al-Ṣadr, *Iqtisādunā*, Vol. 1, 89-94, Vol. 2, 5-15.

<sup>186</sup> Al-Ṣadr, *Iqtisādunā*, Vol. 1, 64-72.

<sup>187</sup> Naqvi, op. cit. 20 in Rodney Wilson, “The Contribution of Muhammad Baqir al-Sadr to Contemporary Islamic Economic Thought,” 48.

<sup>188</sup> Al-Ṣadr, *Iqtisādunā*, Vol. 1, 57-8.

<sup>189</sup> For more on the legal aspects of contracts in Islamic law see part five of Mathias Rohe, *Das Islamische Recht* (München: C.H. Beck, 2011).

<sup>190</sup> Wael Hallaq, *An Introduction to Islamic Law*, 28.

<sup>191</sup> On the void sales and transactions (*bay' al-fasad*) see 'Abd al-Rahmān al-Jāziri, on allowance of sales see Ghazālī, *Ihyā'*; more on the *mu'āmalāt* in Islamic finance see Kamali, *Islamic Commercial Law: An Analysis of Futures and Options* (Cambridge: I. B. Tauris in Association With the Islamic Texts Society, 1990); idem, *Islamic Finance Law, Economics, and Practice* (Cambridge: Cambridge University Press, 2006).

<sup>192</sup> “God has permitted sale and prohibited usury,” Qur'an, surah al-Baqarah (2:275). For more on *ribā* see the fifth section of this very chapter.

rights, prohibitions and allowances all refer to general principles,<sup>193</sup> and not to specific rulings or observations. Lawful and unlawful modes of trade, possession of property, usurious transactions are matters not elaborated in the Qur'an, but explained by 'ulamā according to the general principles of the *Sharī'a*.<sup>194</sup> Based on the scriptural sources and its regulations, classical Muslim jurists differentiated between five ethical categories of Islamic jurisprudence, namely, obligation (*farḍ*),<sup>195</sup> recommendation (*mustahab*), prohibition (*ḥarām*), proscription (*makrūh*), and allowance (*mubāḥ*).<sup>196</sup> One of the rights divulged is that objective law guarantees the subjective rights of individuals, yet this procures different rulings when it comes to *ibādāt* and *mu'āmalāt*.<sup>197</sup> Religious practices of the former are clearly specified according to *Sharī'a* principles and hence validated. The latter follows the opposite principle, in which everything is permitted (*mubāḥ*) unless explicitly forbidden with a *hukm*.<sup>198</sup> The mechanisms of trading in Islamic perspective exclude two important operational tools, usury (*ribā*) and risk or uncertainty

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<sup>193</sup> Kamali notes that of the two verses in the Qur'an on the subject of commercial contracts, one appears in the form of a command, whilst the other in the form of a question: "O you believers, fulfill your contracts" (al-Ma'idah, 5:1), and "O you believers, why do you say things which you do not carry through?" (al-Saff, 61:2). In addition, in al-Nisa' (4:29, 58) proper conduct is foreseen: "God commands you to turn over trusts to those to whom they belong, and when you judge among people, judge righteously." This for Kamali stipulates that "Contracts must therefore not amount to a violation of justice, a breach of trust, or a departure from the moral ideals of the law." See M.H. Kamali, *Islamic Jurisprudence*, 27.

<sup>194</sup> "Fiqh's norms on legal transactions confirm the legitimacy of the major institutions of Muslim society, organize their reproduction and discuss, on the basis of an immense wealth of information and systematic thought, social conflicts and social order in the Muslim political community. *Fiqh*, in this field, puts the social order of the community squarely into the center of law and religion. It is, the jurists say, the objective law, the *shari*, that determines what is forbidden and allowed. But if individuals acquire legal claims based on the norms of the objective law they may turn to the judiciary in order to see them protected as their subjective rights." Baber Johansen, *The Changing Limits of Contingency in the History of Muslim Law*, third Annual Levtzion Lecture, The Nehemia Levtzion Center for Islamic Studies, The Institute for Asian and African Studies, The Hebrew University of Jerusalem, 2013, 39.

<sup>195</sup> On the ethical category of obligation as *taklīf* in Islam in relation to its theological and legal dimension see Nobert Oberauer, *Religiöse Verpflichtung im Islam. Ein ethischer Grundbegriff und seine theologische, rechtliche und sozialgeschichtliche Dimension* (Würzburg: Ergon, 2004).

<sup>196</sup> The first category relates to compulsory commandments and it builds the basis of legal normativity. The recommended behavior concerns the non-compulsory commandments. The so called non-allowed commandments pertain to prohibition, whereas non-compulsory commandments to that which is proscribed. Every other deed falls in the category of allowed. A commandment is binding when omission of a reprehension can occur, or in other words – if there is no rebuke then there is no omission, and thus the commandment is not compulsory and the correlating activity is regarded as a recommended religious norm. See e.g. Mouhanad Khorchide, *Scharia – der missverständene Gott*, 123.

<sup>197</sup> For a long time the Western scholarship has perceived *Sharī'a* legal domain as two separate parts as rituals and legal dealings – *ibādāt* and *mu'āmalāt* – and thus overlooking the moral gist of *Sharī'a*. Yet, the two are intrinsically connected and intertwined. Wael Hallaq, *The Impossible State*, 115-116; see also the reference 73 on page 116.

<sup>198</sup> "Everything is *mutlaq* (unconditional), until a prohibition arrives concerning it." Al-Sadooq, Man Laa YaHDuruh Al-Faqeeh, Vol. 1, 317, *ḥadīth* no. 937, Ibn Taymiyya, *Majmū' Fatāwā Shaykh al-Islām*, 1963, Vol. 21, 535.

(*gharār*).<sup>199</sup> The basic stipulations of the *mu'āmalāt* are provided by *Sharī'a* rules, yet the interpretation of these principles applicable to different circumstances are regulated by the *fiqh al-mu'āmalāt*. Hence, new understandings and rulings can be reached by “understanding the effective cause (*'illa*) and rationale (*hikma*) of the original ruling and the importance of *maṣlaḥa* (benefit) under the changed circumstances.”<sup>200</sup>

For Chapra, Islamic economics is organized around the following four elements within the broader frame of the objectives of Islamic law, which interprets Islamic economics according to higher values: social filter, motivation system, restructuring economic thought in light of *maqāṣid*,<sup>201</sup> and the goal-oriented role of the state supported by an Islamic worldview.<sup>202</sup> For instance, *māl* or wealth is a God-given trust and thus equally important as the first four *maqāṣid* since all five are interconnected for achieving the well-being of man. Acquiring wealth is in Islam not prohibited as long as it is conducted lawfully.<sup>203</sup> Since wealth has to operate within the scope of Islamic ethics, it is a means rather than an end in itself,<sup>204</sup> to be used for fulfilling one's needs, promoting equity, and diminishing injustice.<sup>205</sup> Wealth and faith are positioned on an equally important level from which the responsible utilization of resources for the environment

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<sup>199</sup> For many contemporary Islamic economists the prohibitions are clearly specified in Islamic law and one has to be careful not to expand them. As commercial activities fall under *mu'āmalāt*, the underlying principle related to commercial laws is that of permissibility (*ibaha*). In particular, *ribā* and *gharār* are prohibited in commercial transactions and in Islamic commercial law. On the prohibition of *gharār* (translated as risky, ambiguous, undefined, vague, uncertain, doubtful and/or concealed elements of the contract) see for instance M. Fahim Khan, “Fiqh Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of Fiqh,” 77-78; Siddiq Al-Darir, *Al-Gharar in Contracts and its Effects on Contemporary Transaction*, IRTI, IDB, Eminent Scholars Lecture Series, No. 16, 1997; Abdul-Rahim al-Sāti, “The Permissible Gharar (Risk) in Classical Islamic Jurisprudence,” *JKAU: Islamic Economics*, Vol. 16, No. 2, (2003): 3-19; Mohammad Hashim Kamali, “Islamic Commercial Law: An Analysis of Options,” *The American Journal of Islamic Social Sciences*, Vol. 14, No. 3 (2000): 17-37.

<sup>200</sup> Kamali, *Islamic Commercial Law*, 78.

<sup>201</sup> *Maqāṣid* has been studied by various classical Muslim scholars primarily from the moral perspective and it is by jurists regarded as to serve the interest of society, including its socioeconomic well-being and to prevent people from any form of harm, e.g. al- Māturīdī (d. 945), al-Juwaynī (d. 1085), al-Ghazālī (d. 1111), Fakhr al-Dīn al-Rāzi (d. 1209), Ibn Taymiyya (d. 1327), al-Shāṭibī (d. 1388), Ibn 'Āshūr (d. 1973). See Imran Ahsan Khan Nyazee, *Theories of Islamic Law* (Herndon, VA: IIIT, 1994); al-Ghazālī, *al-Mustasfā* (Medina: Sharika al-Madīna al-Munawwara li al-Tabā'at, 2008), Vol. 1, 30, 116, 135, 155; Ibn 'Āshūr, *Maqāṣid al-Sharī'ah al-Islāmiyyah*, ed. El-Tahir el-Mesawi (Kuala Lumpur: al-Fajr, 1999), 274.

<sup>202</sup> For more see Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Shari'a* (Herndon, VA: IIIT, 2008).

<sup>203</sup> Prophet Muhammad said: “There is nothing wrong in wealth for him who fears God [i.e. abstains from evil],” *Sahih al-Bukhari*, *Al-Adab al-Mufrad*, 113:301, Bab Tīb al-Nafs in Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Shari'ah*, 46.

<sup>204</sup> See al-Ghazālī *Iḥyā'* and Umer Chapra, *The Islamic Vision of Development*, 47; in addition, Siddiqi expounds analogical reasoning in light of *maṣlaḥa* as public good. See Muhammad Nejatullah Siddiqi, “An Islamic Approach to Economics,” *Islam: Source and Purpose of Knowledge* (Herndon, VA: IIIT, 1988), 167-168.

<sup>205</sup> It is believed that the Prophet said: “Wretched is the slave of dinar, dirham and velvet,” *Sahih al-Bukhari*, *Kitāb al-Jihād wa al-Siyar* in Umer Chapra, *The Islamic Vision of Development*, 47.

and human kind is foreseen.<sup>206</sup> Economic development and increasing wealth directly relate to the categories of education, security, good governance, freedom of enterprise, employment and self-employment opportunities, removal of poverty, equitable distribution of wealth, social solidarity and trust, saving and investment mechanisms, optimum growth rate and social development.

All of these categories have a direct impact on the remaining four *maqāṣid* of enrichment of faith, self, intellect and posterity, which in turn influence the general well-being of man. This presupposes the idea that one's basic socioeconomic needs have to be fulfilled in order for one to preserve the other *maqāṣid* postulates.<sup>207</sup> The development of wealth is therefore part and parcel of diminishing economic inequalities in society. The methodological stalemate, however, of merging the *maqāṣid* postulates within the conventional economic system remains.

Contemporary Muslim legal specialists criticize traditional *maqāṣid* at various points:<sup>208</sup> first, they investigate the whole of Islamic law and yet fail to include specific purposes; second, the traditional *maqāṣid* is concerned more with the individual than with communities; third, traditionally, *maqāṣid* did not include the notion of justice and freedom; and fourth, it was relegated to the legal spectrum only.<sup>209</sup> Many economic instruments can be derived from the objectives of Islamic law as it was explored by al-Shāṭibī and al-Ghazālī.<sup>210</sup> In this regard *maṣlaḥa* would determine whether an economic activity (like consumption or production of a good) should be pursued or not. If any activity has a beneficial implication corresponding to al-Shāṭibī's framework of objectives of *Sharī'a*, then that activity ought to be pursued.<sup>211</sup> Purely egoistical, individual-based interests and endeavours are according to the contemporary Muslim scholars regarded as undesirable, unless fostering the concept of *maṣlaḥa*.

The concept of *maṣlaḥa mursalah* (explained in more detail in the following chapter) allows for public policy to meet social needs. *Maṣlaḥa mursala* can be applicable only insofar as

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<sup>206</sup> See Mouhanad Khorchide, *Islam ist Bahrherzlichkeit* (Freiburg im Breisgau: Herder, 2012) and Umer Chapra, *Islamic Vision of Development*, 1.

<sup>207</sup> Compare this approach to Marx's postulate of how the social being of men determines their consciousness, Karl Marx, *A Contribution to the Critique of Political Economy*. For Marx individual consciousness cannot be separated from one's socioeconomic group, yet in by invoking *maqasid* it appears that the two are mutually engaged and thus interdependent – one's consciousness (soul or even faith) does procure one's social being as much as one's social being impacts one's consciousness.

<sup>208</sup> Jasser Auda, *Maqāsid al-Sharī'a: An Introductory Guide* (Herndon, VA: IIIT, 2008), 6-7.

<sup>209</sup> As it will be shown through the examples of *Sharī'a* as being utilized in the deliberations and endeavours of the premodern Muslim scholars as an ethical conception in Chapter Three, this argument does not hold entirely true, since the individual was in the premodern period seen as part of the communitarian reality, whereby legal meant also moral. This can be expounded by analyzing medieval scholars and their economic ideas which are, as it will be indicated in the fourth chapter, encapsulated within the theological realm, in order to achieve higher ends.

<sup>210</sup> See Chapter Three.

<sup>211</sup> Jasser Auda, *Maqāsid al-Sharī'a: An Introductory Guide*, 29.



*maṣlaḥa* does not become an arbitrary mechanism expounding a subjective bias in providing legal rulings. It also must be general in that its values extend to society at large, and lastly it must not conflict with the values upheld by the consensus or the scriptural sources.<sup>212</sup>

## 5.2. The Conception of *Zakāt* and *Ribā* in Contemporary Islamic Economics

*Zakāt* and *ribā* have been the most visible components of contemporary Islamic economics and finance, ascertained primarily as legal conceptions. *Zakāt* as a general levy on the wealth of individuals is commanded by the Qur'an,<sup>213</sup> even though the fixed percentage has not been decreed.<sup>214</sup> As a reflection of human conduct, it restores human relations toward others, and tackles the misery of the poor and the equanimity of the rich. More important than its social range is its role in a moral economy. *Zakāt* epitomizes several economic predispositions, such as the right to regulate property, the idea of utilizing the property for higher ends, the idea of assisting the needy while ensuring their integration in society, and the of cleansing one's own wealth. Islamic wealth tax or the institution of *zakāt* levied on savings and assets has been reserved precisely for the weak to balance the wealth and increase social welfare among population.<sup>215</sup> In this light *zakāt* has not only legal, but also socioeconomic and even more importantly moral aspects. *Zakāt* is mentioned in the Qur'ān 82 times in combination with Islamic prayer (*ṣalāt*), which shows the importance and interrelation between tax charity and spiritual endeavour. *Zakāt* is a clear indication that poverty is in Islam both a social and spiritual problem.<sup>216</sup> Even though it has been theorized by contemporary Muslim economists, it seems their objective was to coalesce the two economic systems – mainstream and Islamic. As we shall see in Chapter Four, the critics of Islamic economics point out that *zakāt* has throughout Islamic history maintained a mere

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<sup>212</sup> See Abū Zahra, *Uṣūl al-Fiqh* (Cairo: Dār al-Fikr al-‘Arabī, 1958), 219.

<sup>213</sup> See for instance Qur'an, "We made them leaders who guide by Our command and We inspired them to work good deeds, to observe the Salat and to give the Zakat, they were worshippers of Us." 21:73; "Eat from their fruits when it blossoms, and give its decreed obligation on the day of its harvest." 6:141; "They ask you what should they give: say, "The good that you give should be to the parents, the close ones, the orphans, the needy and the homeless, and any good that you do, God is Knowledgeable thereof." 2:215; "Woe to the mushrikeen who do not give the Zakat and with regards to the Hereafter, they are disbelievers." 41:6-7

<sup>214</sup> "You shall give the relatives 'ḥaqāhu' (their due), as well as the needy and the homeless yet do not squander wastefully. The squanderers are brothers to the devils and the devil is a rejecter of his Lord. If you have to turn away from them, seeking the mercy from your Lord which you desire, still speak to them nicely. Do not keep your hand tied to your neck, nor shall you fully extend it, lest you end up blaming yourself and regretful." Qur'an, 17:26-29.

<sup>215</sup> Qur'an 4:28, 100:8.

<sup>216</sup> Abdolkarim Soroush, *Reason, Freedom, and Democracy in Islam*, ed. Mahmoud Sadri and Ahmad Sadri (Oxford: Oxford University Press, 2000).

spiritual endeavour rather than an institutionalized social or economic character.<sup>217</sup> Conceptually, *zakāt*, as an obligatory levy on surplus wealth and income, has been a milestone in providing social benefits and security, but it has not attained such a role in Muslim-majority countries.

The Arabic word *ribā* means excess or increase and is according to some scholars in the Qur'an categorically prohibited. Its prohibition has been one of the most widely discussed concepts, maintaining a central place in the imagination of an Islamic economy. According to Khan, the modernists argued that *ribā* does not relate to the interest added by banks, whereas the current consensus states that *ribā* applies to all forms of interest. The abolition of *ribā* has been enacted on the legal basis or prohibition of interest in economic activities. Naqvi however states that there is also an economic side of the interest and not only legal.<sup>218</sup> Islamic banking, which this thesis does not discuss, but deserves at least a brief mention since it has been presented as the subsystem of Islamic economics, and has thus far been researched in light of finances and transactions. Even if this is a necessary mechanism of banking system as such, the economic consequences and impact have not yet been sufficiently implemented by Islamic banks, since the focus has been primarily legal and not economical. Furthermore, Muhammad Abdul Mannan maintains that the institutions of *zakāt* and *ribā* ought to be implemented by the state, as the pinnacle of Islamic economics.<sup>219</sup>

The prohibition of *ribā*<sup>220</sup> or excessive interest is also based on the Qur'ān, where it is first referenced though the term itself or the recipient or payer is not specified.<sup>221</sup> Islamic tradition has distinguished commercial activity from profit and the prohibition of *ribā*.<sup>222</sup> Nonetheless, not every excess or increase in economic transactions falls under the rubric of this very proscription, hence *fiqh* scholars had the task to determine which increase ought not to be

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<sup>217</sup> *Zakāt* has in Muslim majority countries remained a mere reflection of the ideal economic model and has not impacted the factual economies on the ground. "In Pakistan zakat revenue was estimated to be no more than 0.2 per cent of GDP by 1994 and in Iran, where zakat has been collected by government agencies, it has had no measurable impact on the inequalities of power at the heart of the political economy." See Seyyed Vali Reza Nasr, *Islamic Leviathan*, 122-124 and 144-146.

<sup>218</sup> See Naqvi, *Ethic and Economics: An Islamic Synthesis* (Leicester: The Islamic Foundation, 1981).

<sup>219</sup> Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 334.

<sup>220</sup> Interest on capital loan. See Muhammad Khan Akram, *An Introduction to Islamic Economics*, 25.

<sup>221</sup> *Ribā* was common among pre-Islamic Arabs. In the Qur'an it is stated: "And (remember) whatever you give out in *ribā* (usury) so that it might increase through (other) people's possessions will bring (you) no increase in the sight of God—whereas all that you give out in charity, seeking God's countenance, (will be blessed by Him) for it is they, they (who seek His countenance) that shall have their recompense multiplied," Qur'an, 30:39.

<sup>222</sup> Qur'an 2:275. See also *sūra* 2 (al-Baqarah) verses 275, 276, 278, *sūra* 3 ('Alī 'Imrān) verse 130, *sūra* 4 (al-Nisā') verse 161, *sūra* 30 (al-Rūm) verse 39.

observed, indicating that the *ribā* verses were not so clear after all.<sup>223</sup> Therefore, *fiqh* took the role of interpreting the meaning of the word.<sup>224</sup>

This approach lies at the very heart of Islamic views on a moral economy, just as ideas concerning the fundamental injustice of capitalism loom over many Muslim intellectuals.<sup>225</sup> Over the centuries, the consensus of the jurists has been that *ribā* should be understood as any interest charged on a loan, regardless of the willingness of the borrower to enter into an agreement by which he or she will have to repay interest as well as principal. This consensus was based on the authority of the received texts, but also on a moral repugnance at a number of features associated with the charging of interest on capital.<sup>226</sup> Nevertheless, it was acknowledged by some of the most distinguished *fuqaha* that the identification of *ribā* was not always straightforward.<sup>227</sup> The consensus of jurists is that *ribā* refers to all interest-bearing transactions,<sup>228</sup> who see *ribā* as equivalent to interest (*al-fa'idah*) on all kinds of loans, however large or small, whether these involve banks, government agencies, or individuals.

The modern economic debates on the subject of *ribā* do not address the matter of *ribā* in detail since the term was never clearly articulated.<sup>229</sup> For traditional *fiqh* scholars, interest does

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<sup>223</sup> Rauf Azhar notes that there were many variations of the term *ribā* existing simultaneously, indicating that *fiqh* scholars interpreted the concept in various ways, while none of them appeared in the time of the Prophet. The number of *ribā* terms in the *fiqh* literature "is quite understandable in view of the differences between the perspective of the Qur'ān and that of the ḥadīth literature on the subject. At the fundamental level, there is the so called Qur'ānic *ribā*, which was originally known as *ribā al-jāhiliyya* (pre-Islamic *ribā*), and then there is what has been called *ribā al-ḥadīth*. This latter variety is given several names depending partly on the nature of transaction for which it is being defined, and partly upon the individual likings of the different *fiqh* scholars." This includes also *ribā al-faḍl* (on barter transactions), *ribā al-buyū'* (on barter transactions), *ribā al-dayn* or *duyūn* (transactions with debt, and *ribā al-nasī'a* (defined on barter transactions on deferred payment basis). Rauf Azhar, *Economy of an Islamic Economics*, 281.

<sup>224</sup> "Ribā al-faḍl was used by al-Shafi'i, whilst *ribā al-nasī'a* by Rāzī (d. 1209) to establish a connection between the Qur'ānic (al-jāhiliyya) and the ḥadīth *ribā*. The confusion over *ribā* clearly stems from the multiple interpretations of the *ribā al-jāhiliyya* defined by the Qur'ān. We see that in the case of *ribā*, *fiqh* primarily relied on the relevant ḥadīth reports although when it came to *ribā al-jāhiliyya*, it had to resort to *qiyās* to bridge the gap that still remained." Rauf Azhar, *Economy of an Islamic Economics*, 288.

<sup>225</sup> Syed Nawab Haider Naqvi, *Ethics and Economics*, 109-23.

<sup>226</sup> Charles Tripp, *Islam and Moral Economy*, 126.

<sup>227</sup> See Rauf Azhar, *Economy of an Islamic Economics*, 279-335 and 339-406; Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 123-227.

<sup>228</sup> The opposite approach on the so called "riba-by-analogy" holds Tantawi. See Muhammad Sayyid Tantawi, "'Asi'lah 'an al-riba'," *Al-Ahram*, 21 November 1993.

<sup>229</sup> According to Azhar this occurs due to the complications regarding how the term *riba* was understood: "The main contours of this discourse can be summed up as follows: the dominant *fiqh* school has recognized the futility of asserting that the meaning of the term *ribā* was not clearly understood because of the unassailable evidence provided by the exegetical works. Its writers take their point of departure by asserting that the meaning of the term *ribā* was well understood at the time of the revelation—and it is here that they significantly differ from the classical *fiqh* expositions—but then they use the classical concept of *ribā al-nasī'a* to establish an equality between *ribā* and interest, all along giving the false impression that they are presenting the classical *fiqh* position." Rauf Azhar, *Economy of an Islamic Economics*, 284.

not fall under the rubric of *ribā* prohibition, whilst Islamic economists claim that they follow the classical predisposition on *ribā*. Still they have influenced the discourse by advocating “for an abolition of interest from the financial system through an administrative fiat,”<sup>230</sup> which further complicates the discourse. The main reason *ribā* was put into force was to prevent the accumulation of wealth in order to diminish the economic differences between different layers of society and also to maintain some kind of equitable social fabric.

Nowadays *ribā* is an essential factor in the Islamic economic and banking system. Islam generally encourages market economy through the imposition of a certain degree of ethically-driven regulations and government interventions that mean to disable the exploitation of economic power and the accumulation of wealth: “Islam envisages a world in which everyone with authority is accountable for his actions,”<sup>231</sup> aiming at establishing an economic order based upon the ethical regulations of *Sharī‘a*. An active role in economic activities in society is encouraged; however, the hoarding of wealth and food supplies is illicit according to many medieval Muslim scholars,<sup>232</sup> as a merchant should always sell his commodities at a fair value,<sup>233</sup> according to the regulations on the market (another form of hoarding is leaving a land uncultivated, as the production has to circulate to benefit the society).

What has been advocated by some contemporary Islamic economists and scholars, such as Azhar,<sup>234</sup> al-Ṣadr,<sup>235</sup> and Mirakhor,<sup>236</sup> is the reform of Islamic jurisprudence; this includes the abrogation of many of the *aḥādīth* and the opinion by consensus, or *ijmā‘*. Their theories, however, remain confined either to the positivist methodology or to the efforts to Islamize a state’s economy. The restructuring of methodological and legal teachings would be possible if a consensus would be formed among contemporary scholars, who would, among other mechanisms, re-address the institutions of *zakāt* and the prohibition of *ribā* in light of Islamic intellectual history.

## 6. Contemporary Muslim Economists’ Views on Classical Muslim Scholars

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<sup>230</sup> Rauf Azhar, *Economy of an Islamic Economics*, 284.

<sup>231</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 4.

<sup>232</sup> See e.g. al-Ghazālī, *Iḥyā‘*, Vol. 2, 72.

<sup>233</sup> Ibn Taymiyya, 1982, 32-33 in Sohrab Behdad, “Property Rights in Contemporary Islamic Economic Thought,” *Review of Social Economy*, Vol. 47, No. 2 (1989): 194.

<sup>234</sup> Rauf Azhar, *Economy of an Islamic Economics*, 2009.

<sup>235</sup> See al-Ṣadr, *Iqtisādunā* (Tehran: World Organization for Islamic Services, 1982).

<sup>236</sup> Abbas Mirakhor, *A note on Islamic Economics* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2007).

The significance of the moral predicaments of economic teachings and the notion of the hereafter in Islamic tradition, invoked by many medieval Muslim scholars,<sup>237</sup> has been introduced by few contemporary Islamic economists. Chapra and Siddiqi, among others, were largely concerned with its impact on the idea of justice. However, the majority of contemporary Muslim economists do not invoke classical scholars' economic views, despite their claim of moral economy.

Rationalizing economics is not the only goal for achieving a scientific and epistemological explanation of economics. Conventional or orthodox economics does not conceptualize rationality in terms of social justice and well-being, but rather along the lines of utilitarianism and the maximization of self-interest. This indicates a very different conception of economic knowledge in comparison to classical Islamic scholarship.<sup>238</sup> Nonetheless, contemporary Muslim economists maintain that the concept of rationality in Islamic economics pertains not only to the material world, but also “to the Hereafter through the faithful compliance with moral values that help rein self-interest to promote social interest.”<sup>239</sup> Chapra's argument of Islamic economics is in part based on the contribution of some of the classical Muslim scholars (see below), covering topics such as the division of labour, specialization, trade and exchange, and the utilization of money, making him rather an exception in analyzing the classical scholars on economics. The brief inclusion of the great gap theory<sup>240</sup> and selected classical Muslim scholars e.g. Abū Yūsuf (d. 789), al-Mawārdī (d. 1058), Ibn Hazm (d. 1064), al-Sarakhsi (d. 1090), al-Ṭūsī (d. 1093), al-Ghazālī (d. 1111), al-Dimashqī (d. 1175), Ibn Rushd (d. 1187), Ibn Taymiyya (d. 1328), al-Maqrīzī (d. 1442), al-Dawwānī (d. 1501), and Shah Waliyullah (d. 1762),<sup>241</sup> whose economic ideas are presented in depth in Chapter Three, indicates that the classical Muslim scholars approached economic thinking not only from a dynamic and cross-

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<sup>237</sup> On economic thought by Abū Yūsuf, al-Shaybānī, Abī al-Dunyā, al-Ghazālī, Ibn Taymiyya, al-Maqrīzī etc., see Chapter Three.

<sup>238</sup> Also for Chapra, the core features of conventional economics are rational economic man, positivism, and laissez faire. Umer Chapra, *Islamic Economics: What it is and how it developed*, 8.

<sup>239</sup> Umer Chapra, *Islamic Economics: What it is and how it developed*, 9.

<sup>240</sup> The great gap theory presupposes that medieval Islamic scholarship did not offer any significant development in the domain of economic thought in the Middle Ages. For more on debunking the great gap theory see Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis, 11-905 A.H./632-1500 A.D.* (Jeddah: Islamic Economics Research Centre, King Abdulaziz University, 2004); Mohammad Ghazanfar, Abdul Azim Islahi, *Economic Thought of Al Ghazali* (Jeddah: Scientific Publishing Centre King Abdulaziz University, 1997); Mohammad S. Ghazanfar, *Medieval Islamic thought: filling the “great gap” in European economics* (London: Routledge, 2003).

<sup>241</sup> For more by Siddiqi on the medieval Muslim scholars and their economic ideas, see a text that surveys the recent writings, in Arabic, English and Urdu of various classical Muslim scholars. Nejatullah Siddiqi, *Recent Writings on History of Economic Thought in Islam* (Jeddah: International Centre for Research in Islamic Economics King Abdulaziz University, 1982). See also Abū Yūsuf, *Kitāb al-Kharaj*, trans. Abid Ahmad Ali (Lahore: Islamic Book Center, 1979).

disciplinary angle, since they “did not focus their attention primarily on economic variables,”<sup>242</sup> but also primarily within a different epistemic background. They took into account overall a human’s well-being, his or her virtuous traits of character, and the Islamic sciences of nature. Even though Chapra acknowledges that the early and medieval Muslim scholars provided a starting point of economic thinking in Islamic tradition, his focus on Ibn Khaldūn in discussing the socioeconomic ideas and analysis<sup>243</sup> locates a narrow scope of his excursion of the classical Islamic economic thought, which is paradigmatic for the majority of contemporary Muslim economists. Though Ibn Khaldūn aimed to define economics as a separate discipline, he did not write on economic thought in Islam as such. He asserted and analyzed human nature and the rise and fall of empires through economic, social, political, and demographic factors. Since the intellectual decline struck Islamic civilization after the 14<sup>th</sup> century, there were historical, sociopolitical, and economic reasons why certain disciplines did not progress as a separate intellectual discipline, though they remained an integral part of the social and moral philosophy of Islam.

## 7. Concluding Remarks

Given the specific nature of Islamic economic reasoning and its sources, many scholars contested that the subject of Islamic economics is multi-disciplinary, relying on both Western economic tradition and Islamic tenants. Methodological pluralism, however, in this context does not indicate a vibrant discipline, but rather a systemic and at times contradictory framework of its proponents. Authors like Choudhury, Naqvi, Siddiqi, and Chapra read Islamic economics not by invigorating classical theological, legal or ethical standpoints, but within the modern frame of Islamization of economics. The most notable theoreticians of contemporary Islamic economics, despite the field’s unique intellectual makeup, follow this pattern, retrospectively deducing and attaching Islamic tenants of Islamic economic teaching to the subject of economics. Since the current Islamic worldview is inadequate to serve as a model, even though Chapra questions

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<sup>242</sup> Chapra, *Islamic Economics: What it is and how it developed*, 13.

<sup>243</sup> Chapra, *Islamic Economics: What it is and how it developed*, 13-25. In the center of Ibn Khaldūn’s economic analysis is the human being and his moral, social, and political well-being. This well-being does not rest only on economic variables but also on other social and political factors. See Umer Chapra, *The Future of Economics: An Islamic Perspective* (Markfield: The Islamic Foundation, 2000). In short, Ibn Khaldūn ideas on economics included studying the factors that are interrelated: norms (*Shari’a*), administration, populations, wealth, development, and justice. This is linked with other variables such as the feeling of belonging or ‘*aasabiyya*, education, etc. Khaldūn implies the importance of norms when discussing state and economic life. For more on the medieval contributions of Islamic economic teachings and their relevance for contemporary Islamic economic thought see the second chapter of the monograph.

whether the revival of Islam may bring about positive repercussions for the moral and social well-being of men, he firmly believes that only the Islamic worldview has that capacity and attraction due to its value-based justice<sup>244</sup> and framework of *maqāṣid*.<sup>245</sup> The reason for different epistemological understandings may rest in the fact that economics explores human behaviour that is embedded in society and culture, which in turn is formed by belief system, morals, and values.

Furthermore, many Muslim authors criticized capitalism while discussing a morally-guided, ideal Islamic society, giving an impression of an oversimplified hypothesis of the inner structure of Islamic economics. The question of how many Muslim states adhere to these very norms remains unanswered.<sup>246</sup> Since conventional economics recognizes the market as the only arbiter of resources,<sup>247</sup> in which capitalism does not necessitate material provisions based on the preservation of human dignity, equitable income, and concept of justice,<sup>248</sup> Islamic economics was presented as a valid alternative system. Yet, since conclusions based solely on Islamic ethical norms cannot be simply drawn from empirical evidence,<sup>249</sup> embedding those very conclusions and assumptions in economic analysis would mean analyzing the primary texts of Islam, including the intellectual history of Islam, and the socioeconomic developments of the 19<sup>th</sup> and 20<sup>th</sup> centuries across the Middle East. Muslim economists assert that Islamic economics covers a three-fold perspective: self-interest, social morality, and state regulations. Thus far, Muslim economists have attempted to establish Islamic economics as a social science, maintaining that Islamic economics is based on conventional economics coupled with an Islamic worldview, which seems to be a marriage of convenience.<sup>250</sup>

Murad W. Hofmann depicted Chapra's approach "as a perfect example of real (not just methodological) 'Islamization of Knowledge.'"<sup>251</sup> Chapra, similar to many other Muslim

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<sup>244</sup> Umer Chapra, "Ethics and Economics: An Islamic Perspective," 14.

<sup>245</sup> Umer Chapra, *Islam and the Economic Challenge*, 251.

<sup>246</sup> See Muhammad Akram Khan, *What is Wrong with Islamic Economics? Analysing the Present State and Future Agenda* (Cheltenham, UK, Northampton, US: Edward Elgar Publishing, 2013).

<sup>247</sup> See Philip Mirowski, *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown* (London: Verso, 2014).

<sup>248</sup> Apart from contemporary Muslim scholars, see also Amartya Sen, who holds that self-interest, power system of values, and corresponding norms are crucial motives in capitalist society. On the other hand, social values, democratic policies, civil and political rights ought to provide for the basic public good and for the – often neglected – underlying idea of justice. Since raising productivity is related to promoting capitalistic success, self-interest has to include others, the notion of sympathy, and the integration of social justice. Amartya Sen, *Development is Freedom* (New York: Anchor; Reprint edition, 2000), 261-262.

<sup>249</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 36.

<sup>250</sup> See for instance Muhammad F. Khan, *Essays in Islamic Economics* (Leicester: The Islamic Foundation, 1995).

<sup>251</sup> Murad Hoffman, review of *The Future of Economics: An Islamic Perspective* by Umer Chapra, *Intellectual Discourse*, 10:1 (2002): 91.

economists, favors combining Islamic and Western economic configurations, though “does not reject the Western system stock and a barrel – not only because that would be naïve but because the occident disposes of several features, like democracy, governmental accountability, and freedom of speech, which to use selectively would greatly benefit Islamic societies.”<sup>252</sup> This approach is operative and not analytical. A change of economic paradigm and a new economic system that would in turn reform Muslim societies can only materialize if the historic processes of economic, political, social, and epistemological contentions that were introduced in the Middle East in 19<sup>th</sup> and 20<sup>th</sup> centuries are negotiated in light of classical scholars’ conceptualization of moral economics. Chapra’s criticism of post-Keynesian economics pertains to the critique of Western scientists who made the science of economics into a so-called “hard” science. This, in Hoffman’s words, contradicts empirical knowledge, and generates an idea of a rational economic man, deprived of his moral episteme.

Scholars such as Muhammad Ahmed Khan in his later writings is concerned with a methodology that would critically investigate the terms, concepts, theoretical considerations, and principles pertinent to the subject matter of Islamic economics, since the existing methodologies are mostly related to mainstream economic theories, taking into account only economic variables, whereby human being is viewed from a self-interest point of view, with a tendency to maximize material welfare.<sup>253</sup> He affirms that the theoretical body has not yet been developed, due to the extant body of literature that is preoccupied with basic principles of an ideal Islamic society. Often the objectives of Islamic economics are read into the religious Qur’anic text by authors and thus influenced by the interpretation of its subject matter. “This is precisely the reason that Islamic economics, at present, is merely a statement of the Shari‘ah position on economic issues.”<sup>254</sup> What Khan proposes is a transitional theory to Islamic economics, since Muslim societies differ from other countries in their income, resources, adherence to ideology, and economic development. Likewise, Mannan rejects historical materialism due to economic determinism and stresses the ethical values of Islamic economics,<sup>255</sup> yet his methodological contradictions are apparent due to the reliance on the neoclassical economic rationale. In al-Şadr’s words, the discipline of economics has the most extensive impact within the capitalist ideology of the West due to its origins and the culture in which it emerged.<sup>256</sup> Separating the doctrinal from the scientific realm of (Islamic) economics is doubtful, since all economics is

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<sup>252</sup> Murad Hoffman, review of *The Future of Economics: An Islamic Perspective*, 92.

<sup>253</sup> Muhammad Akram Khan, *An Introduction to Islamic Economics*, 59.

<sup>254</sup> Muhammad Akram Khan, “Islamic Economics: The State of the Art,” 286.

<sup>255</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986), 314-326.

<sup>256</sup> Al-Şadr, *Iqtisādunā*, 227-230.



ideological due to its predisposed set of regulations, assumptions, and predispositions about the worldview, human nature, and functioning of the world.

Much of the literature on Islamic economics offers variant perspectives on an ideal Islamic society,<sup>257</sup> and since the reality on the ground is in Muslim-majority countries dictated by the domestic and global financial conglomerates, many theories might be rendered inapplicable. It is hence crucial to study the existing realities of the socioeconomic societies in the Middle East and South Asia, as well as the epistemological-philosophical landscape of ideas pertinent to those economic theories. The systematic omission of the classical postulates by contemporary Muslim economists made them oblivious to the epistemic fields, which had profound reverberations for the development of the contemporary Islamic economic project in that it reflected and imitated Western economic theories. Instead of focusing on joining the modern Islamic economic tenants with the already existing economic systems, examining the premodern economic thinking in Islamic tradition would do more justice to the field.

Islamic banking as a branch of Islamic economics, even though it was established based on economic knowledge of Islam, has little in common with the premodern economic thinking in Islamic tradition. Even if there is a correlation between Islamic financial sector and economic theories, there is no clear-cut definition of the latter. In some respects, Islamic banking has proffered an image of an institution that facilitates the mechanisms of *zakāt* and *ribā*, which gained momentum during the 1970s as revenues increased in the Gulf states.<sup>258</sup>

As it will be clear in Chapter Three, despite a limited and regulated, profit-based economy that had developed in early Islam,<sup>259</sup> classical Muslim scholars nonetheless called for safeguarding of economic activities in conformity with the *Sharī'a*'s moral cosmology.<sup>260</sup>

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<sup>257</sup> The real-world Muslim society is a society in which ethical and religious considerations on economic affairs of Islam are to be taken and implemented, indicating that one of the characteristics of an Islamic economic system is the distinctive nature of ethical tenants in comparison to socialism or capitalism. Seyed Nawab Haider Naqvi, "The Dimensions of an Islamic Economic Model," 3.

<sup>258</sup> "A History of Islamic Finance," Islamic Finance.com, last modified February 8, 2015, <http://www.islamicfinance.com/2015/02/an-overview-of-the-history-of-islamic-finance/>; Charles Tripp, *Islam and the Moral Economy*, 135.

<sup>259</sup> For the proponent of an idea that early Islam has developed a market driven economics, see for instance Benedikt Koehler, *Early Islam and The Birth of Capitalism* (Lanham: Lexington Books, 2014), 145-156.

<sup>260</sup> See e.g. the writings of al-Shaybānī, al-Ghazālī, Ibn Taymiyya, al-Maqrīzī, and their exposition of economic conduct within the notion of the Hereafter.

### Chapter Three:

## **The Past Perfect – *Sharī'a* and the Intellectual History of Islamic Economic Teachings**

*The essence of fiqh discussions has always been theological.*

Waleed A.J. Addas, *Methodology of Economics: Secular vs. Islamic*, 98

*If the 'moral' as we understand it in modernity did not exist in premodern Islam, then the distinction between the 'moral' and the 'legal' could not have existed, either in the Sharī'a at large or in the Qur'ān in particular.*

Wael Hallaq, *The Impossible State*, 82

*Al-tājiru al-ṣadūq afḍalu 'inda Allāhi min al-mut'bid* (The honest merchant is superior to the servant).

Al-Ghazālī, *Iḥyā'*, Vol. 2, 74

*Fī al-kasb ma'nā al-mu'āwana 'alā al-qurab* (In acquiring a livelihood there is meaning of assistance in acts of devotion).

Al-Shaybānī, *Kitāb al-Kasb*, 136

### 1. Widening the Scope of Classical Economic and Legal Thought in Islam

This chapter inquires upon the classical economic thought and its relation to *Sharī'a* in Islamic tradition. It mainly consists of two parts – the first part deals with the moral cosmology of *Sharī'a*, including *maqāṣid* and *siyāsa*, whereas the second addresses the economic thought of classical Muslim scholars. To discern the genealogy of the subject of Islamic economics, pinpointing the epistemological differences between the classical and modern understanding of economic ideas in Islamic tradition, which can be perceived as the (dis)continuation of the moral teachings and legal precepts derived from the Qur'an and the Islamic intellectual history, one

needs to provide a definition of terminologies of Islamic legal and economic teachings,<sup>1</sup> and to scrutinize the correlation between and among them.

The first part of the chapter does not study court proceedings in Islamic tradition, but focuses on a two-fold analysis of *Sharī'a*: first, the theoretical considerations of *Sharī'a* as a primarily moral conception in that it maintains an epistemological difference from the ontology of *fiqh* and, second, on classical as well as contemporary authors who have defined and extrapolated the concept of *Sharī'a* in connection to Islamic economic thought. By doing so, I will demonstrate that the idea of economic behaviour is in accordance with primarily *Sharī'* moral behavioural patterns rather than legal codifications, which occurred in the 19<sup>th</sup> century. This approach repudiates the claim that contemporary Islamic economic science is based on Islamic legal percepts or that it is enmeshed only in commercial transactions. Even though theoretical considerations of economics in Islam is based on commercial laws and ethical ideas, derived from religious sources such as the Qur'an, the Sunna and (legal) scholarship, contemporary Muslim economists have rarely made in-depth analyses of the classical disciplines by studying the classical legal, theological and Sufi corpus. The pertinent questions are therefore: have economic ideas in Islamic history flourished semi-independently from the legal normativity<sup>2</sup> of *Sharī'a*? What kind of epistemic consequences did classical jurisprudential, yet profoundly moral, stipulations have upon economic ideas in Islamic intellectual history? In other words, to what extent and on what grounds does *Sharī'a* define and legitimize the subject matter of economic thinking, given not only legal, but primarily moral, theological, and Sufi postulates in classical Islamic milieu?<sup>3</sup>

The second section of this thesis interrogates economic thought in classical Islam. By Islamic economic thought, I am referring to Islamic economic tradition, Islam's moral economy, classical Islamic economic thought, economic philosophy in Islam, and so forth, which is profoundly related to the moral cosmology of the Qur'an in how it shaped human conduct in economic affairs. Reading classical Muslim scholars, jurists, Sufis, and theologians reveal that their economic ideas were embedded in the theological and metaphysical system of *Sharī'a*. Since the pleiad of classical Muslim scholars cannot be introduced in one chapter, the following scholars, in many respects perceived as representatives of Islamic economic tradition, will be

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<sup>1</sup> Abdel Rahman Yousri Ahmed, "The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability," 41- 44.

<sup>2</sup> By the term "normativity", I refer to a standard model to be followed in the view of norms as authoritative and legally binding set of rules.

<sup>3</sup> Question pertaining to the aim of *Sharī'a* was posed, among others, also by al-Ghazālī (d. 1111) and al-Shāṭibī (d. 1388). See al-Ghazālī, *al-Mustasfā'* (Medina: Sharika al-Madīna al-Munawwara li al-Ṭabā'at), Vol. 1, 116 ff and al-Shāṭibī, *al-Muwāfaqāt fī Usūl al-Sharī'a*, ed. 'Abdullāh al Darrāz (Cairo: n.d.).

examined in chronological order according to their main themes and key concepts pertinent to economics. These are Abū Yūsuf (731-798 A.D.), perceived as one of the earliest jurists who wrote on land tax (*kharaj*) in Islam;<sup>4</sup> Muḥammad bin Ḥasan al-Shaybānī (750-804), a colleague and a student of Abū Yūsuf, a co-founder of Hanafī school of jurisprudence, the first scholar who treated earning as an wholesome subject in *Kitāb al-kasb*,<sup>5</sup> also known as *al-Iktisāb fī al-Rizq al-Mustaṭāb*, and wrote a book on economic provision and law in *Kitāb al-Sijar*; Ibn Abī al-Dunyā (d. 894), a famous imam, jurist, and scholar of Islam who collected ideas on economic behaviour from more than 180 teachers in *Iṣlāḥ al-māl*;<sup>6</sup> Abū Ḥamid al-Ghazālī (d. 1111), an adherent of the Shāfi‘ī school as much as an adherent of the Sufī tradition whose *Kitāb Adāb al-Kasb wa al-Ma‘āsh*<sup>7</sup> presents a culmination and a synthesis of economic provision and spiritual qualities; al-Dimashqī, a 12<sup>th</sup> century scholar and merchant from Damascus who wrote *Kitāb al-Isharāh ila Maḥāsīn at-Tijārah* in which he defined an early form of price theory and expressed support for acquiring wealth;<sup>8</sup> Ibn Taymiyya (d. 1328), a member of the Ḥanbali school and a source of inspiration for current Orthodox Salafism;<sup>9</sup> Ibn Qayyim al-Jawziyya (d. 1350), a pupil of Ibn Taymiyya who furthered his legal, theological, and economic ideas;<sup>10</sup> Ibn Khaldūn (d. 1404), who belonged to the Māliki school, and who is regarded as the father of sociology and the tradition of social sciences;<sup>11</sup> and al-Maqrīzī (d. 1441), a Māliki scholar from Egypt who provided official advices to the Fatimid government.<sup>12</sup> Along with those scholars, ideas from al-Muḥāsibī (d. 857),<sup>13</sup> al-Makkī (d. 966),<sup>14</sup> al-Māwardī (d. 1058),<sup>15</sup> Ibn Hazm (d. 1064),<sup>16</sup> al-

<sup>4</sup> Abū Yūsuf, *Kitāb al-Kharaj* (Beirut: Dār al-Ma‘arifa, 1979).

<sup>5</sup> Muḥammad ibn al-Hasan al-Shaybānī, *al-Iktisāb fī al-Rizq al-Mustaṭāb* (Beirut: Dār al-Kutub al-Ilmiyyah, 1986.)

<sup>6</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl* (Beirut: Mu‘assasa al-Kutub al-Thaqāfiyya, 1993).

<sup>7</sup> Abū Ḥamid al-Ghazālī, *Iḥyā’ ‘Ulūm al-Dīn* (Beirut: Dār al-Nadwah, n.d.); *Mizān al-‘Amal* (Cairo: Dār al-Ma‘arif, 1964); ; al-Ghazālī, *al-Mustasfā* (Medina: Sharika al-Madīna al-Munawwara li al-Ṭabā‘at); al-Ghazali, *The Book of Counsel for Kings*, transl. F.R. Bagley (Oxford: Oxford University Press, 1964); al-Ghazali, *Kīmīyā-yi Sa‘ādat* (Delhi: 1998).

<sup>8</sup> Al-Dimashqī, Abu’l-Fadl Ja‘far, *al-Isharāh ila Maḥāsīn al-Tijārah* (Cairo: Maktabah al-Kullīyyat al-Azhariyyah, 1977).

<sup>9</sup> Ibn Taymiyya, *al-Hisbah fī al-Islām* (Cairo: Dār al-Sha‘b, 1976); English translation by Holland, Muhtar, *Public Duties in Islam: The Institution of the Hisbah* (Leicester: The Islamic Foundation, 1982); idem, *Majmu‘ Fatawa Shaykh al-Islām Ahmad Ibn Taymiyya* (Al-Riyad: Matabi‘ al-Riyad, 1963).

<sup>10</sup> Ibn Qayyim al-Jawziyya, *Zad al-Ma‘ad* (Beirut: Dār al-Kitāb al-‘Arabī, 1982).

<sup>11</sup> Ibn Khaldūn, *Muqaddimah* (Beirut: Dār al-Fikr, n.d.)

<sup>12</sup> Muḥammad ‘Alī al-Maqrīzī, *Ighāthat al-Ummah bi Kashf al-Ghummah* (Cairo: ‘Ayn al-Dirāsāt al-Ba‘ūth al-Insāniyya wa al-Ijtīmā‘iyya, 2007); Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi’s Ighāthah* (Salt Lake City: University of Utah Press, 1994); al-Maqrīzī, *Kitāb al-Sulūk* (Cairo: Lajna al-Talif wa al-Tarjama, 1956).

<sup>13</sup> Al-Muḥāsibī, *al-Makāsib wa al-Wara’* (Beirut: Mu‘assasa al-Kutub al-Thaqāfiyya, 1987).

<sup>14</sup> Al-Makkī, *Qūt al-Qulūb* (Beirut: Daar al-Kutub al-Ilmiyyah, 1997); Saeko Yazaki, *Islamic Mysticism and Abū Ṭālib al-Makkī* (New York: Routledge, 2013).

<sup>15</sup> Al-Māwardī, *al-Aḥkām al-Sulṭāniyyah* (Misr: al-Babi al-Halabi, 1973).

<sup>16</sup> Ibn Hazm, *al-Muhalla* (Misr: Matba‘a al-Nahdah, 1347 A.H/1928 A.D.), Vol. 2.

Shaizarī (d. 1193),<sup>17</sup> Ibn Rushd (d. 1198), a medieval Andalusian polymath,<sup>18</sup> and other Muslim thinkers will often accompany the aforementioned scholars in order to substantiate the claim of this very chapter.

These figures underwent different forms of training and lived in different eras and areas, which indicates a multivalent legal, sociopolitical and cultural landscape of these thinkers, as well as the complexity of Islamic economic history. The scholars' writings on ethics, law, and economic ideas will be presented within the context of how their theorized and perceived economic philosophy in Islam, its mechanisms, function of money, the role of *ḥisba*, price control, value of goods, barter exchange, and the role of the state. I will extrapolating their main ideas and concepts pertinent to the research, such as *Sharī'a*, *akhlāq* (the role of ethical conduct in trading activity), *tas'īr* (price control), *zuhd* (abstinence), and *maṣlaḥa* (the concept of public good). Focusing on the intertwining of ethical and economic presuppositions of medieval Islamic discourses also bears importance for the development of epistemology in modern Islamic economic thought. Instead of focusing on individual authors, the chapter will be structured according to main similarities, differences, and economic ideas those authors invoked in their works. By doing so, the chapter aims not only to show the interconnectedness and flow of economic ideas across time and space, but also the intricate relation between *Sharī'a*'s moral cosmology and economic activities. Despite the fact that classical scholars, given their various backgrounds, often invoked Islamic legal philosophy of the four major Sunni schools of law and applied different approaches to the same economic matters, the ethical intricacy rooted in the so-called moral cosmology of *Sharī'a* reigned supreme.

## 2. *Sharī'a*'s Legal Supremacy versus Moral Cosmology

The term *akhlāq*, translated nowadays as ethics, was associated with classical Islamic (Qur'anic) exegesis and closely interwoven into the theology of Islam.<sup>19</sup> The Qur'an provided Muslim

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<sup>17</sup> 'Abdur Raḥman bin Naṣr Al-Shaizarī, *Aḥkām al-Ḥisba* (Beirut: Dār al-Thaqāfa, n.d.).

<sup>18</sup> Ibn Rushd, *Bidāyat al-Mujtahid* (Beirut: Dār al-Ma'rifa, 1988).

<sup>19</sup> Islamic ethics is being defined as *akhlāq* (plural of *khuluq*) which would be translated as character or disposition. The word *akhlāq* has a very close relationship with the word *khaliq* (the Creator) and *makhluq* (the creature). The term *khuluq* appears in the Qur'anic verse (68:4) and it has been regarded as the predicament of the soul that determines human deeds and its consequences. *Ilm al-akhlāq* as the science of the human soul pertains to qualities and methods on how to maintain and nurture them. The task of Islamic ethics was to discern concepts such as good, bad, virtue, obligation, and responsibility through the idea of God, the Hereafter, and the Qur'anic revelation. In this sense, Islamic ethics is not disassociated from Islamic metaphysics. See Abdul Haq Ansari, "Islamic Ethics: Concepts and Prospects," *The American Journal of Islamic Social Sciences*, Vol. 6, No. 1, (1989): 81-91; "What is

society with natural laws and a new cosmology enhancing a moral system that transcended purely legal categories, for it was “constructed out of the moral fiber.”<sup>20</sup> The *Sharī‘a*’s moral principles are not technical or legal in nature, “but hearken back to the epistemic and psychological technologies of the moral subject.”<sup>21</sup> According to such an understanding, human deeds are carried out in accordance with a particular worldview,<sup>22</sup> and economic behaviour should primarily have an ethical deliberation and consequence. Despite the fact that the subject of *fiqh* has always been *Sharī‘a*,<sup>23</sup> *fiqh* and *Sharī‘a* are inequivalent, for the latter is as Divine law encapsulated in the Qur’an,<sup>24</sup> while the first is the body of Islamic law extracted from detailed Islamic sources, which are studied and interpreted by learned men as the principles of Islamic jurisprudence. Economic activities in Islam tend to surpass purely legal precepts, because they are as much theological in nature as they are moral. As we shall see in the following paragraphs, concepts such as common good (*maṣlaḥa*), charity (*ṣadaqa*), alms-tax (*zakāt*), and institutions such as charitable trust funds (*waqf*), supervision of markets, purchases and commodities (*ḥisba*), fiscal policy (*bayt al-māl*), social benefits, and others, despite their legal effect, were by classical Muslim scholars also analyzed within the fields of theology, philosophy, Islamic mysticism, policy-oriented governance (*siyāsa Shar‘iyā*), and moral cosmology<sup>25</sup> embedded in the Qur’anic

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‘legal’ in the Qur’ān and in the *Sharī‘a* that was based on it is also equally ‘moral’ and vice versa. In fact, we might even reverse the modern bias and argue (conceding for the moment to modern vocabulary) that the legal was an organically derivative category of the moral, the latter being the archetype... The Qur’ānic moral arsenal was thus embedded in a holistic system of belief, in a cosmology that *comprised* a metaphysic... this cosmology was itself part of an enveloping moral system that transcended the categories of theology, theosophy, and metaphysics.” Wael Hallaq, *The Impossible State*, 83.

<sup>20</sup> Wael Hallaq, “Groundwork of the Moral Law: A New Look at the Qur’an and the Genesis of *Shari’a*,” 259.

<sup>21</sup> Wael Hallaq, *The Impossible State*, 152.

<sup>22</sup> For instance, according to Toshihiko Izutsu, moral code is one component of the overall ideology, embedded into the linguistic system, and therefore represents certain worldview (*Weltanschauung*) and interprets it accordingly. See Toshihiko Izutsu, *Ethico-Religious Concepts in the Qur’an*, 12 in Mohamed Aslam Haneef, Hafas Furqani, “Developing the Ethical Foundations of Islamic Economics: Benefitting from Toshihiko Izutsu,” *Intellectual Discourse*, Vol. 17, No. 2 (2009): 176.

<sup>23</sup> According to Shalakany, Islamic law is *Sharī‘a* due to its own subject matter. See Amr. A. Shalakany, “Islamic Legal Histories,” *Berkley Journal of Middle Eastern & Islamic Law*, Vol. 1 (2008): 5.

<sup>24</sup> For more on the orientalist understanding of *Shari’a* as being detached from *fiqh* rules see the legal history of Islam see Joseph Schacht, *An Introduction to Islamic Law* (Oxford; New York: Clarendon Press, 1982); N. J. Coulson, *A History of Islamic Law* (Chicago: Aldine Transaction, 1994). On the overall moral character of *Sharī‘a* see e.g. Wael B Hallaq, *Sharī‘a: Theory, Practice, Transformations* (Cambridge: Cambridge University Press, 2009). On the history of Islamic legal thought see e.g. Wael B Hallaq, “From Fatwas to Furu: Growth and Change in Islamic Substantive Law,” *Islamic Law and Society* 1, No. 1 (1994): 29-65; Mohammad Fadel, “The Social Logic of Taqlīd and the Rise of the Mukhataṣar,” *Islamic Law and Society* 3, No. 2 (1996): 193-233; ‘Ali Jum‘a, *Al-Naskh ‘Ind al-Uṣūliyyīn* (Nahḍat Miṣr lil Ṭibā‘a wal Nashr wal Tawzī‘, n.d.), 9-13, 23-37, 41-42, 45-46, 49-88.

<sup>25</sup> The term “moral cosmology” is coined separately from yet in proximity to Hallaq’s concept of *mystical Shari’ism*, for it shows a great degree of contextual similarity (see Wael Hallaq, *The Impossible State*, New York: Columbia University Press, 2013). Hallaq’s term is clearly congruent with the parameters and the narrative of the “moral cosmology” of Islamic economics, not only in regard to the position of Islamic law, but also in reference to Islamic

conceptions of ‘*adl*, ‘*ilm*, and ‘*amal* and their human exposition, and not exclusively via commercial laws or transactions (*mu‘āmalāt*). As such, classical Muslim scholars would derive and deduce legal rulings on micro and macro levels on economic ideas. Hence translating *Sharī‘a* simply as Islamic law would be incorrect, since *Sharī‘a* encompasses more than only legal rulings.<sup>26</sup>

Many classical Muslim scholars perceive *Sharī‘a* as the divine code of conduct, while Islam is often interpreted as a submission of oneself to the will of God by confirming the Divine Unity of existence. *Sharī‘a* in Arabic language means “path to the well,” or within the context of Islam, “path to God.”<sup>27</sup> According to Frank Griffel, “Islamic religious law” is an approximate translation of the term *Sharī‘a*.<sup>28</sup> In classical Arabic the word *Sharī‘a* referred to the law of God obtained through revelation, and it evolved as a technical term in the early period of Islamic history, depicting the practical aspect of the religion of Islam.<sup>29</sup> Throughout the history of Islamic law, for many Islamic scholars *Sharī‘a* has been central to understanding Islamic legal principles.<sup>30</sup> The four basic Sunni Islamic schools of law – Ḥanafī, Mālikī, Shāfi‘ī and Ḥanbalī<sup>31</sup> – agree that the four fundamental sources of *Sharī‘a* are: the Qur’ān, Sunna, *ijmā’* or consensus and *qiyās*.<sup>32</sup> This would indicate that Islamic economic thought is derived indirectly from the Qur’an and the Sunna, as these texts present the basis of juridical literature. However, the *fuqahā’* (the legal specialists) in the classical period mainly established the judicial system (social,

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economic teachings. This will be more evident through the analysis of the classical Islamic economic corpus, and also by proposing the epistemological value of Islamic economics in Chapter Five.

<sup>26</sup> Muhammad Khalid Masud, *Muslim Jurists’ Quest for the Normative Basis of Shari‘a*, inaugural lecture (Leiden: ISIM, 2001), 2; *Shari‘a* cannot be simply equated as a book of law, but is rather a highly complex system of norms, codes, ethical stipulations, and their interpretations, see Mathias Rohe, *Das Islamische Recht* (München: C.H. Beck, 2011), 15. In this light, epistemic is *a priori* moral in the context of *Shari‘a*. See also Wael Hallaq, “God’s Word: Between the Intentional and the Political,” Lecture at IRCPL, Columbia University, February 13<sup>th</sup> 2015, <http://ircpl.org/wael-hallaq-gods-word-between-the-intentional-and-the-political/>. See also Qur’an, e.g. 42:13; 5:97; 45:1-7.

<sup>27</sup> See e.g. Mouhanad Khorchide, *Scharia – der missverstandene Gott. Der Weg zu einer modernne islamischen Ethik*, (Freiburg, Basel, Wien: Herder, 2013), 72-81.

<sup>28</sup> Abbas Amanat, Frank Griffel, eds., *Sharia, Islamic Law in the Contemporary Context* (Stanford, California: Stanford University Press, 2007), 2.

<sup>29</sup> See Qur’an 45:1.

<sup>30</sup> See al-Ghazālī, *al-Mustasfā’* (Medina: Medina: Sharika al-Madīna al-Munawwara li al-Ṭabā‘at); Ibn ‘Āshūr, *Maqāsid al-Sharī‘ah al-Islāmiyyah*, ed. El-Tahir el-Mesawi (Kuala Lumpur: al-Fajr, 1999); *Treatise on Maqāsid al-Sharī‘a*, trans. Muhammad al-Tahir el Mesawi (London, Washington: International Institute of Islamic Thought, 2006).

<sup>31</sup> Khan Masud states that according to Abu Zayd Shāfi‘ī’s *Risāla* was primarily a treatise on epistemology and not the methodology of Islamic law. See Khan Masud, “Classical” Islamic Legal Theory as Ideology: Nasr Abu Zayd’s Study of al-Shāfi‘ī’s *Risala*, draft.

<sup>32</sup> *Qiyās* or analogy denotes something that has a common characteristics or the same value. Literally, *qiyās* means measuring or ascertaining the physical shape of something. In Islamic law, technically means an extension of a *Sharī‘a* value from an original example or situation to a new case. On the historical development of Islamic law see Mathias Rohe, *Das Islamische Recht* (München: C.H. Beck, 2011), 43-72.

financial, public, private, penal, matrimonial codes of law), reflecting the ethical teachings of the Qur'an.<sup>33</sup> The legal reading of economics in the Islamic tradition presumes that the economic system is one of the sub-systems of *Sharī'a* and, by consequence, partakes in the interaction of all the sub-systems as well as in the main system of *tawhīd* being the core of the discourse.<sup>34</sup>

*Sharī'a* as God's law relates to the Islamic law (*fiqh*) and legal stipulations (*aḥkam*). Nonetheless, legal theory did not designate law but rather how to do law, hence it was not prescriptive but descriptive, providing juristic methodology and a hermeneutics to utilize the four sources of *Sharī'a*.<sup>35</sup> In this light *Sharī'a* is "a collection of God's assessments of human conduct" (*ḥukm*), and "this crucial element has been often misunderstood as legal injunction or prescription. Primarily, *ḥukm* (rule) is God's speech (*kalām*) which deals with human conduct,"<sup>36</sup> and does not necessarily rest upon man's appropriation of it.<sup>37</sup> Interpreting how jurists came to deduce these *aḥkam* from the religious scripts has been the task of *usūl al-fiqh*, the roots of the law or rather legal hermeneutical methodology,<sup>38</sup> which is in its essence an endeavour of the learned to understand and interpret the sources of the law.<sup>39</sup> For Hallaq "*usūl al-fiqh*'s whole purpose is universally acknowledged to be the prescription/description of a methodology by means of which legal rulings can be derived from the sources."<sup>40</sup>

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<sup>33</sup> Muhammad Khalid Masud, *Muslim Jurists' Quest for the Normative Basis of Shari'a*, inaugural lecture, Leiden: ISIM, 2001, 6.

<sup>34</sup> "It is important to distinguish between the concept of Sharī'a as the totality of the duty of Muslims and any particular perception of it through a specific human methodology of interpretation of the Qur'ān and Sunna... It should also be emphasized that Sharī'a principles are always derived from human interpretation of the Qur'ān and Sunna; they are what human beings can comprehend and seek to obey within their own specific historical context. It was a pre-Islamic Arab practice to distribute any surplus of property (faḍl al-mal) for social and charitable purposes. The Prophet applied this principle, which the jurists later thought to be his practice. And inasmuch as it was considered a Prophetic Sunna, it became part of the Sharī'a." Wael Hallaq, *A History of Islamic Legal Theories*, 13. See also Goitein, *Studies in Islamic History and Institutions* (Leiden: E. J. Brill, 1966), 92-94.

<sup>35</sup> Wael Hallaq, *Sharī'a: Theory, Practice, Transformations*, 74.

<sup>36</sup> Sami Al-Daghistani, "Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought," 401.

<sup>37</sup> Classical Islamic works on Islamic law reveal a high level of probability theories (Wahrscheinlichkeitstheorie) of the divine law, aiming to frame the law within the parameters of Sharī'a. According to Thomas Bauer, this attempt was not always successfully applied, because fiqh dealt predominantly with socioeconomic, political, and administrative issues, however, it always maintained its theological resonance. See Thomas Bauer, *Die Kultur der Ambiguität*, 158.

<sup>38</sup> Generally, on the legal science al-Ghazālī holds that "...the universal science among the religious disciplines is theology. But other sciences, such as jurisprudence, its principles, hadith, and tafsir are particular sciences." Ahmad Zaki Mansur Hammad, *Abu Hamid al-Ghazali's Juristic Doctrine in al-Mustasfa min 'ilm al-usūl*, PhD dissertation, Vol. 2, University of Chicago, 1987, 310. See also al-Ghazālī, *Iḥyā'*, Vol. 1, 12-40.

<sup>39</sup> For more on *ad hoc* solutions to legal issues, legal transplants, and other legal modifications see Wael Hallaq, "From Fatawas to Furu: Growth and change in Islamic Substantive Law," in *Islamic Law and Society*, Vol. 1, No. 1 (1994): 29-65; Tyon, E. "Judicial Organization," in *Law in the Middle East*, ed. Majid Khadduri and H. J. Liebesny (Washington, DC: The Middle East Institute, 1955), 236-78.

<sup>40</sup> Wael Hallaq, "Was al-Shāfi'i the Master Architect of Islamic Jurisprudence?," *International Journal of Middle East Studies*, Vol. 25, No. 4 (1993): 587-605, at 592. See also al-Imām Muḥammad Idris al-Shāfi'i's *al-Risāla fi*



The science of applying *Sharī'a* was developed in the classical period and is called *fiqh*.<sup>41</sup> *Fiqh* is the legal and ethical system that measures and foresees relations between men in society whose “notion of legal capacity is based on the concept of the rational actor.”<sup>42</sup> Al-Ghazālī stated: “Fiqh in its original linguistic usage, means knowledge and understanding [...] But in the convention of the *‘ulamā*, it has come to specifically express knowledge of the *Sharī'a* rules, which have been established for [qualifying] the acts of the loci of obligation.”<sup>43</sup> Specialists and legal authorities produced *fiqh* works concerned with moral behavior and legal practice in many Muslim lands in which *Sharī'a* was considered the law until the collapse of the Ottoman Empire in the early 20<sup>th</sup> century. Yet, law as being understood as binding rules of conduct would insufficiently describe *Sharī'a*, since “there were no documents [...] and no commentaries that one could refer to as ‘the law’. Rather, *Sharī'a* was a practice and a process of deriving law and of adjudicating disputes,”<sup>44</sup> and it has been in this sense interconnected with moral behaviour, encompassing various fields of human endeavours.<sup>45</sup>

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*uṣūl al-fiqh, Treaties on the Foundations of Islamic Jurisprudence*, trans. Majid Khadduri (Cambridge, UK: Islamic Text society, 1997).

<sup>41</sup> See Motzki, Harald: *Die Anfänge der islamischen Jurisprudenz: ihre Entwicklung in Mekka bis zur Mitte des 2./8. Jahrhunderts* (Stuttgart: Steiner, 1991; Wael Hallaq, *The Origins and Evolution of Islamic Law* (Cambridge: Cambridge University Press, 2005); Hashim Kamali, *Shariah Law: An Introduction* (Oxford: Oneworld, 2008).

<sup>42</sup> Baber Johansen, *The Changing Limits of Contingency in the History of Muslim Law*, 33. See also Baber Johansen, “Das islamische Recht,” *Die islamische Welt*, Vol. 1 (1984): 129-145.

<sup>43</sup> Ahmad Zaki Mansur Hammad, *Abu Hamid al-Ghazali's Juristic Doctrine in al-Mustasfa min 'ilm al-usūl*, 307.

<sup>44</sup> “Law was established not by issuing legal codes or by the decision of principal authorities such as high courts or central administration, but rather by the rules of its legal discourse... Before the nineteenth century *Sharī'a* was never understood as an abstract code, but rather as a series of commentaries on particular practices and of commentaries upon those commentaries.” Abbas Amanat, Frank Griffel, eds., *Sharia, Islamic Law in the Contemporary Context*, 4. On the Sunni legal discourse and tradition, see Norman Calder, “The Limits of Islamic Orthodoxy,” in *Intellectual Traditions in Islam*, ed. Farhad Daftary (London: I. B. Tauris, 2000), 66-68. On the absence of the term *Sharī'a* in Islamic legal discourse see Thomas Bauer, *Die Kultur der Ambiguität*, 185.

<sup>45</sup> According to Griffel, who is not a legal specialist, *Sharī'a* does not play an important role in the Qur'an and it appears only three times in the Qur'anic text. Griffel also maintains that *Sharī'a* always distinguished law from morality: “In principle, at least, traditional *Sharī'a* always made a distinction between law and morality. Unlike European jurisprudence, however, where the law is taught in its own faculty and where morality is a branch of philosophy and the humanities, the practice of *Sharī'a* includes all branches of normative human behavior.” See Abbas Amanat, Frank Griffel (ed.), *Sharia, Islamic Law in the Contemporary Context*, 8. On the other hand, Hallaq states that the legal and the moral realm were in the classical period intertwined and interconnected, and thus the two epistemic systems were not parted: “Neither Muslim jurists nor Muslim intellectuals at large have – until the twentieth century – made any distinction between the legal and moral components of Islamic law. The punitive character of the obligatory and forbidden and the absence of this characteristic from the other three categories failed to engender a distinction between the moral and strictly legal, a phenomenon that should prompt us to wonder why Muslim jurists failed (if needed they did) to realize the typological significance of this fact. To answer this question we must first understand that, by its very nature, Islam – both as a worldview and as an intellectual system – made no real distinction between the legal and the moral on the grounds that morality and ethics were never perceived as anything less than integral to the law.” Wael Hallaq: *Sharī'a*, 85.

*Fiqh* can be comprehended as understanding<sup>46</sup> the religion and the sources of religion; “Fiqh-law is therefore not legislated but understood, not produced but discovered and formulated.”<sup>47</sup> A closer look at *fiqh* science makes clear that one cannot study Islamic law without engaging into Islamic theology, and that Islamic law has to be studied through its moral implications. Hence, the correlation between the mundane and the divine realm is managed by understanding (*fiqh*) rather than by actual statutes (*hudūd*). This further presupposes that economic (mis)behaviour falls into the realm of ethical considerations and not necessarily under the category of legal prescriptions. If one defines one’s relation to God based exclusively on juridical concepts employing jurists’ interpretation, one inevitably diminishes the gist of that very relation, namely the personal correlation to God.<sup>48</sup> A juridical and legal understanding of Islam can overshadow its spiritual, emotional and intellectual endeavours. “If religiosity is defined as compliance to juridical assertions, then it pushes in the background not only the contemplative Heart, but also the human freedom and therefore genuine moral conduct, in which morality is affirmed as self-commitment from the inner-most.”<sup>49</sup> This understanding diminishes the totality of Islam to its judicial interpretation, instead of nurturing the spiritual and emotional essence of human behaviour that pertains also to economic matters. In this constellation, the God-human relation is of utmost significance and is divided into two categories. The first illustrates this relation along the line of a top-down approach, whereby the human being as recipient carries out commands and laws, whereas the second category describes the God-human relation according to spiritual devotion and emotional intelligence.<sup>50</sup>

This perspective asserts that classical economic philosophy was not regulated exclusively juridically, but rather it was understood metaphysically and cosmologically. As asserted by many contemporary Muslim economists,<sup>51</sup> Islamic economics is ingrained within Islamic law, yet it appears to be distinguished from the epistemic value of the very moral cosmology, which deals with metaphysical as well as worldly matters. *Sharī‘a* moral guidelines undeniably form the gist

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<sup>46</sup> One of the earliest Islamic legal scholars Abū Hanīfah (d. 767 A.D.), stated that “understanding (*fiqh*) in religious matters (*dīn*) is better than understanding (*fiqh*) of scriptural sources of law (*‘Urf*) and legal statutes (*al-hadd*).” Abū Hanīfa, 1948:5; Wensinck, 1932:104; 110-112 in A. Kevin Reinhart, “Islamic Law as Islamic Ethics,” *Journal for Religious Ethics*, Vol. 11, No. 2 (1983): 188.

<sup>47</sup> A. Kevin Reinhart, “Islamic Law as Islamic Ethics,” 188.

<sup>48</sup> “Denn wenn man seine Beziehung zu Gott über juristische Kategorien definiert, braucht man zwangslöfing einen Juristen, der einen über die Urteile Gottes aufklärt. Dann ist es aber vorbei mit einer direkten persönlichen Beziehung zu Gott.” See Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 15.

<sup>49</sup> “Wenn Religiosität aber als Befolgung von juristischen Aussagen definiert wird, rückt nicht nur das Herzin den Hintergrund, sondern auch die Freiheit des Menschen und damit eine aufrichtige moralische Haltung, in der Moralität von Innen als Selbstverpflichtung bestimmt wird.” See Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 17.

<sup>50</sup> The two categories cannot be exclusive but are, understandably, intertwined and interdependent.

<sup>51</sup> See Chapter Two of this thesis and the works of e.g. Choudhury, Chapra, Siddiqi, M.A. Khan.

of economic matters in Islamic tradition, covering the issues related to food, clothing, money utilization, purchase of commodities, and many others, and stem from Qur'anic ethical teachings.<sup>52</sup> Invoking classical scholarship, economic ideas, its philosophy, and behaviour patterns, asserts that it does not rest solely upon Islamic legal precepts, since economic problems are distinct and cannot be resolved only by *fiqh* rules.<sup>53</sup> In other words, despite the presence of legal norms for exercising economic activities in Islam, which (in)directly relate to the corpus of Islamic law and thus clearly points to the spiritual character of such conduct, claiming the “legal supremacy” of Islamic economics, i.e. that it intrinsically maintains a legal character, might be misleading.<sup>54</sup> Legal systems are rational when they lack “freedom from extralegal concerns,” that is, when they are subservient to various social, political or theological elements.<sup>55</sup> Due to the moral predicates of Islamic law,<sup>56</sup> it has always maintained a rational character, being systematically grounded in the religious and ethical values of the Qur'an.<sup>57</sup> Only continuous and constant altercation between Islam as a historic phenomenon and Muslim society as a living experience can question and reconstruct the legal superiority.<sup>58</sup>

### 3. *Maqāsid, Istihsān, Maṣlaḥa* and the Economic Preservation in *Shari'a*

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<sup>52</sup> “True believer would not be extravagant nor miserly,” Qur'an 25:67; on the prohibition of usury, “but Allah has permitted trade and forbidden usury,” 2:275; “man is violent in the love of wealth,” 100:8.

<sup>53</sup> Abdel Rahman Yousri Ahmed, “The Scientific Approach to Islamic Economics: Philosophy, Theoretical Construction and Applicability,” 19-58.

<sup>54</sup> It has been argued that only 80 out of 6234 verses in the Qur'an can be described as juridical assertions dealing with the social order. See Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 83. The Qur'an contains only 228 out of 6.236 verses that deal with the legal precepts. See N. J. Culson, *Introduction to Islamic Law*, 34 in Wael Hallaq “Groundwork of the Moral Law: A New Look at the Qur'an and the Genesis of Shari'a,” 244.

<sup>55</sup> Patricia Crone, “Weber, Islamic Law, and the Rise of Capitalism,” in *Max Weber and Islam*, eds. Huff, Toby E. and Schluchter, Wolfgang (New Brunswick: Transaction Publishers, 1999), 249.

<sup>56</sup> On the relation between theological and legal see e.g. Rüdiger Lohker, *Islamisches Recht* (Wien: Facultas wuv 2011), 99-116.

<sup>57</sup> John Walbridge, *God and Logic in Islam: The Caliphate of Reason* (Cambridge: Cambridge University Press, 2011), 3. Max Weber for instance stated that Islamic law can never attain full rationalization due to its link to sacred institutions. While bourgeoisie and its interests was inextricably linked with the development of European laws, this connection cannot be traced in Islamic societies, as Islamic law was bound to bourgeois elements only in terms of commerce and trading. Islamic law was thus for him inconducive to capitalism in that it protected the institution of contract, stipulated ethical economic conduct, and prescribed certain economic awareness, despite that premodern capitalistic endeavours, such as pursuing profit, did exist in medieval Islamic societies. Patricia Crone, “Weber, Islamic Law, and the Rise of Capitalism,” 254.

<sup>58</sup> A reform of Islamic law can enhance life of Muslims according to the Qur'an. Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 125.

For the examination of classical economic doctrine in Islam, the discourse on *maqāṣid al-Sharī'a* or the objectives of Islamic law – along with *istiḥsān*, translated as equity, *istiṣlāḥ*, and *maṣlaḥa*, as common or public good – are of particular relevance. Concerning *Sharī'a* discourse as a source of economic thought in Islam, those terms advocate, among other elements, economic preservation and can be used as a vehicle for a legal change.<sup>59</sup> In relation to economic philosophy and the concept of law, *maṣlaḥa* appears to be an important tool in achieving a higher degree of economic justice, in spite of the fact that the notion of *maṣlaḥa* has been primarily discussed within the parameters of Islamic law and legal discourse. Research on economic preservation and *maṣlaḥa* raises the following questions: what type of economic ideas does *maṣlaḥa* propose and how has it been incorporated into economic reasoning? Which scholars refer to *maṣlaḥa* as a tool for economic change and on what basis; as the core of ethical teachings of *Sharī'a*, how can it be utilized in the contemporary Islamic economics and what type of reading does it propose? Furthermore, since Islamic economic thought cannot be equated only with legal maxims and juridical underpinnings,<sup>60</sup> it is pertinent to ask not if economic ideas have flourished independently from its legal framework, but what is the nature and epistemic value of that very legal framework in relation to economic teachings when it comes to ethical considerations, and how can the preservation of wealth be applied in the real-time society?<sup>61</sup>

### 3.1. *Maqāṣid al-Sharī'a* and *Maṣlaḥa*

Certain concepts with which aforementioned medieval Muslim scholars operated in Islamic history relate to public good and provision of wealth, can assist us in understanding the relation

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<sup>59</sup> On *maṣlaḥa* as a legal change see Opwis, Felicitas, “Maslaha in Contemporary Islamic Legal Theory,” *Islamic Law and Society*, Vol. 12, No. 2, (2005): 182–223.

<sup>60</sup> See Rauf A. Azhar, *Economics of an Islamic Economy*, 1-3, 11.

<sup>61</sup> Abdullah al-Na'im on the abstractness of the objectives of the law observes that “A modified version of the same argument asserts that all that is required is to observe the basic objectives or purposes of *Sharī'a* (*Maqāṣid al-Sharī'a*), while *fiqh* principles are subject to change from one time or place to another. But the problem with this view is that the so-called basic objectives of *Sharī'a* are expressed at such a high level of abstraction that they are neither distinctly Islamic nor sufficiently specific for the purposes of public policy and legislation. As soon as these principles are presented in more specific and concrete terms, they will be immediately implicated in the familiar controversies and limitations of *fiqh*.” See Abdullahi Ahmed Al-Na'im, *Islam and the Secular State: Negotiating the Future of Sharī'a* (Harvard University Press, 2008). This hold true also for applying maqasid in economic domain. For more on the application of the objectives of the law to economic science see Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Sharī'a* (Jeddah: Islamic Research and Training Institute Islamic Development Bank) and M. Fahim Khan, “*Fiqh* Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of *Fiqh*,” *Theoretical Foundations f Islamic Economics*, ed. Habib Ahmed, (Jeddah: The Islamic Development Bank, Islamic Research and Training Institute, 2002).

between Islamic law and (economic) well-being of man. Classical Muslim scholars perceived economic ideas as part of the Islamic theology of *kalām* from which they derived juridical rules.<sup>62</sup> They invoked theology when discussing legal and economic precepts to tackle various *Sharī'a*-stipulated questions. *Maqāṣid al-Sharī'a* provides norms for the legal rulings and social welfare, and can be seen as divine intents and moral concepts dealing with justice, social welfare, human dignity, and preservation.<sup>63</sup> Contemporary scholarship on *maqāṣid* introduced more detailed, universal precepts in comparison to *fiqh* literature.

One of the aims of *maqāṣid* is that it yields what is desirable and good for the general public, and that it aims to reduce what can potentially harm the society. The five categories or universals, which are interdependent and intertwined, present the moral law of *Sharī'a* because of an inductive reasoning. "The very principle of property rights and the acquisition, maintenance, and dispensation of wealth were all at once regulated by a dialectic of spiritual, metaphysical, and worldly considerations."<sup>64</sup> Scholars such as Ibn Qayyim al-Jawziyya claim that *maqāṣid* is the core of *Sharī'a*<sup>65</sup> and based upon its principles. The objectives of Islamic law evolved after the Companion era, however the meaning behind the objectives as we know them nowadays were introduced much later, during the 11<sup>th</sup>-15<sup>th</sup> centuries AD. *Maqāṣid* literally means purpose, objective, principle or intent,<sup>66</sup> and pertains to the wisdom and ethical means of the rulings.<sup>67</sup> Anything that directly or indirectly implies the preservation of five categories (i.e., life, faith, intellect, preservation, and wealth) can be considered as *maṣlaḥa*.

Islamic ethical perception in the field of economics advocates the idea of regulating the wants as *maṣlaḥa* lead to the concept of fulfilling needs. *Maṣlaḥa* contains the immutable principles of *Sharī'a* that are meant to levitate and enhance the public good, and because the principles of *Sharī'a* are contained in *maṣlaḥa*, it does not restrict itself only to legal reasoning. The *Sharī'a* principles reinforce *maṣlaḥa* as the overall benefit by balancing the needs and wants, whereby *maṣlaḥa* as a core mechanism of *maqāṣid al-Sharī'a* frames new rules.<sup>68</sup> Derived from the word *ṣalaḥ*, which means reform, it has been defined according to overall benefit to society.

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<sup>62</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 60.

<sup>63</sup> For Jasser Ouda, the objectives of the *Sharī'a* were presented by different Islamic scholars; traditionally, *maqāṣid* did not include the notion of justice. This concept was extracted from *fiqh* literature and was not deduced from studying the original sources, Jasser Ouda, *Maqāṣid al-Sharī'a*, 1, 4.

<sup>64</sup> Wael Hallaq, *The Impossible State*, 148-149.

<sup>65</sup> See Ibn Qayyim al-Jawziyya, *Zad al-Ma'ad* (Beirut: Dār al-Kitāb al-'Arabī, 1982).

<sup>66</sup> Jaser Ouda, *Maqāṣid al-Sharī'a* (Herndon, VA: al-M'had al-'ālamī lil fikr al-islāmī, 2012); Jaser Ouda, *Maqāṣid al-Sharī'a: An Introductory Guide*, (Herndon: IIIT, 2008).

<sup>67</sup> Ibn 'Āshūr, *Maqāṣid al-Sharī'ah al-Islāmiyyah*, 182-183.

<sup>68</sup> Masud Khalid, *Shatibi's Philosophy of Islamic Law* (Islamabad: Islamic Research Institute, International Islamic University, 1995), 120.

The concept of *maṣlaḥa* as part of the higher objectives is important yet neglected<sup>69</sup> concept when discussing the nature of economic endeavors in contemporary Islamic economic thought. Various contemporary Islamic economists address the role of *maṣlaḥa* in relation to economic reasoning only indirectly through legal apparatus, therefore providing possibility for further research.

The concept of *maṣlaḥa* has been introduced to Islamic legal science, and it was laid down by al-Juwāynī, al-Ghazālī, al-Ṭūfī,<sup>70</sup> and Ibn al-Jawziyya, to name but a few. The following scholars, who are perceived as representatives of Sunni schools of law, have made seminal contributions to the field of Islamic law and economics, and are in turn referred by contemporary Muslim scholars, will be briefly studied here. Al-Juwāynī conceptualized the term *maṣlaḥa*; Abū Ḥamid al-Ghazālī was a member of the Shāfi‘ī school as much as adherent of the Sufi tradition who wrote on *maṣlaḥa* as well as economic activities; in addition, al-Shaybānī, and al-Shāfi‘ī appear of great relevance not only for their contributions to Islamic jurisprudence but also to economic conduct as it traditionally refers to common good or benefit. On the other hand, *maṣlaḥa mursalah* refers to unrestricted public interest in the sense that it is not regulated by the jurist, unless textual sources stipulated otherwise.<sup>71</sup>

If *maqāṣid* entails the wisdom behind the legal rulings including social welfare and cohesion, it inevitably addresses the innermost – man’s emotional and spiritual state that ideally transforms into action-driven conduct through the fulfilment of the ideals of justice, dignity, free will and social welfare. Since *maṣlaḥa* is the epitome of the overall teachings of *Shari‘a*, the conception of *maṣlaḥa* in economics and finances can be justified in terms of the protection of economic provision (*ḥifẓ al-māl*),<sup>72</sup> expounding an overall moral character pertaining to the question of allocation of wealth, circulation of money, and so forth. If the objectives (*maqāṣid*) are permanent, the means (*wasā’il*) to achieve them are changeable, dynamic, and contemporary.

<sup>69</sup> Only Chapra and Siddiqi in their works briefly analyse *maṣlaḥa* in relation to economic preservation.

<sup>70</sup> “Whereas the majority of jurists do not allow recourse to *istislah* in the presence of a textual ruling, a prominent Hanbali jurist, Najm al-Dīn al-Tufī, stands out for his view which authorises recourse to *maslahah* with or without the existence of *nass*. In a treatise entitled *al-Masalih al-Mursalah*, which is a commentary on the Hadith that ‘no harm shall be inflicted or reciprocated in Islam’, al-Tufī argues that this Hadith provides a clear *nass* in favour of *maslahah*. It enshrines the first and most important principle of *Shari‘ah* and enables *maslahah* to take precedence over all other considerations. Al-Tufī precludes devotional matters, and specific injunctions such as the prescribed penalties, from the scope of *maslahah*. In regard to these matters, the law can only be established by the *naṣ* and *ijmā’*.” Al-Ṭūfī, Najm al-Dīn, ‘*Risālat fī Ri‘āyat al-Maṣlahah*’, N/A, 1993, 139 in Mohammad Hashim Kamali, *Principles of Islamic Jurisprudence*, 242.

<sup>71</sup> *Ḥadīth* that provides the material on the subject states: “No harm shall be inflicted or reciprocated to Islam” Ibn Majah, *Sunan*, *ḥadīth* no. 2340 in Mohammad Hashim Kamali, *Principles of Islamic Jurisprudence*, 235-236.

<sup>72</sup> See for instance al-Ghazālī’s categorization of *maqāṣid* also in relation to economic provision and *kasb*. Al-Ghazālī, *Iḥyā’ ‘Ulūm al-Dīn* (Beirut: Dār al-Nadwah, n.d.), 4 Vols.

Al-Shāfi'i for instance did not promulgate *maṣlaḥa*, the same way as he repudiated *istiḥsān*;<sup>73</sup> in spite of the fact that each norm has a corresponding purpose, traditionally in Islamic law the norms were not bound with the purpose itself but rather with their reason or inducement (*'illa*).<sup>74</sup> This further underlines that religious teachings ought to be in correlation with the social interest and even metaphysical goals.<sup>75</sup> Ibn Qayyim al-Jawziyya observed that there are of two types of *Sharī'a* that correspond to time and societal changes:

Firstly, laws which do not change with the vicissitudes of time and place or the propensities of *ijtihād*, such as the obligatoriness of the *wājibāt* (pl. of *wājib*), or illegality of *muḥarramāt* (pl. of *ḥarām*), the fixed quantities of inheritance and the like. They do not change and no *ijtihād* may be advanced so as to violate the substance and character of the *Sharī'ah* in these areas. The second variety of laws are those which are susceptible to change in accordance with the requirements of public interest (*maṣlaḥah*) and prevailing circumstances, such as the quantum, type and attribute of deterrent punishments (*al-ta'zīrāt*). The Lawgiver has permitted variation in these in accordance with the dictates and considerations of *maṣlaḥah*.<sup>76</sup>

Ibn Qayyim has also stated on the jurisprudence and its methodology that it is grounded on the notion of social (people's) welfare:

The Islamic law is all about wisdom and achieving people's welfare in this life and the afterlife. It is all about justice, mercy, wisdom, and good. Thus, any ruling that replaces justice with injustice, mercy with its opposite, common good with mischief, or wisdom with nonsense, is a ruling that does not belong to the Islamic law, even if it is claimed to be so according to some interpretations.<sup>77</sup>

### 3.1.1. Development of *Maqāṣid*, al-Juwāyni and al-Ghazālī

<sup>73</sup> Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 130-135, 137.

<sup>74</sup> Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 138.

<sup>75</sup> For more see Ibn Ashur, *Treaties on Maqasid al-Shari'a*, trans. Mohamed El-Tahir El-Mesawi (London, Washington: IIIT, 2006); Ahmad al-Raysuni, *Imam al-Shatibi's Theory of the Higher Objectives and Intents of Islamic Law* (Herndon, VA: IIIT, 2005).

<sup>76</sup> See Ibn Qayyim, *Ighathah al-Lahfin*, Vol. 1, 346, in Mohammad Hashimi Kamali, *Shari'ah Law: An Introduction* (Oxford: Oneworld Publications, 2008), 50.

<sup>77</sup> Ibn al-Qayyim, *I'lam al-Muwaqī'in* (Beirut: Dār al-Jeel, 1973), Vol. 1, 333 in Jaser Ouda, *Maqāṣid al-Sharī'a: An Introductory Guide*, 23.

Al-Juwāyni in the 11<sup>th</sup> century deployed *maqāṣid* for his theory on necessities and needs. He coined it by proposing five levels of *maqāṣid*: necessities (*ḍarūrāt*), public needs (*al-hājah al-amah*), moral behaviour (*al-makrumāt*), recommendations (*al-mandūbāt*), and specifics.<sup>78</sup> One among many medieval Muslim scholars who explored Islamic theology, law, and mysticism, in order to dissect epistemological connotations of the Qur’anic worldview and to extend them over the well-being of society at large, can be also found in the writings of al-Ghazālī, who elaborated the *maqāṣid* further in order to provide provision for the well-being of humankind, by safeguarding the categories of faith (*dīn*), human self (*nafs*), intellect (*‘aql*), offspring (*nasl*), and wealth (*māl*).<sup>79</sup> It is believed that along with *Iḥyā’ ‘Ulūm al-Dīn*, al-Ghazālī’s most influential book is *Mustaṣfā*, a text on Islamic law and jurisprudence. He is credited as being the first Muslim scholar who introduced the study of Aristotelian logic into the discourse of Islamic jurisprudence and achieved more in this field than his teacher al-Juwāyni. Although it is believed that he based his juridical arguments predominantly upon the Shāfi’ite tradition of Islamic law, composing new terminologies and shaping new discourse on legal matters, al-Ghazālī’s writings surpassed the existing legal schools of the time.<sup>80</sup> The early al-Ghazālī differentiated between the overall cosmological nature of the field of theology, which is for him the most rational science, and its subsidiary particular fields of inquiry, such as *ḥadīth* science, exegesis, and law.<sup>81</sup>

The universal discipline (*al-‘ilm al-kullu*) — among the religious disciplines — is theology. The other disciplines such as *fiqh* and its [methodological] foundations, and the transmission from the Prophet, and the exegesis (of revealed texts) are particular, partial [forms of] knowledge... The sacred law (*shar‘*) here brings what reason by itself is unable to comprehend, as reason independently cannot comprehend that obedience [to God] is the cause for happiness in the world to come, and that disobedience is the cause of misery [in the hereafter].”<sup>82</sup>

Al-Ghazālī, although a jurist by traineeship, was theologian and a Sufi, who took a path that allowed him to deftly merge different segments of Islamic intellectual traditions with his own

<sup>78</sup> Al-Juwāyni, *Kitāb al-Irshād ‘alā Qawāṭi’ al-Adilla fī Usūl al-I’tiqād*; Al-Juwayni, *A Guide to the Conclusive Proofs for the Principles of Belief*, trans. Paul E. Walker (UK: Garnet Publishing, 2001); Jasser Ouda, *Maqāṣid al-Sharī‘a*, 17.

<sup>79</sup> Al-Juwāyni, *Kitāb al-Irshād ‘alā Qawāṭi’ al-Adilla fī Usūl al-I’tiqād*, Vol. 1, 286-87. Prior to al-Ghazālī and al-Juwayni, al-‘Āmirī presented the concepts with which the latter two operated.

<sup>80</sup> See Nakamura Kojiro, “Was Al-Ghazali an Ash‘arite,” *The Memories of the Toyo Bunko*, Vol. 51 (1993): 1-24. Originally published as “Gazali and Ash‘arite Theology” in *Isuramu Sekai* (The World of Islam).

<sup>81</sup> Aḥmad Zakī Mansūr Ḥammād, *Abū Ḥāid al-Ghazālī’s Juristic Doctrine in al-Mustaṣfā’ min ‘Ilm al-usūl*, 5.

<sup>82</sup> Aḥmad Zakī Mansūr Ḥammād, *Abū Ḥāid al-Ghazālī’s Juristic Doctrine in al-Mustaṣfā’ min ‘Ilm al-usūl*, 4.



capacity to question religious and political establishment.<sup>83</sup> He initiated new channels of acquiring knowledge, while preserving the core of Islamic principles. Since the Shāfi'ī school of law also bases its legal reasoning not only on *qiyās*, as indicated in the Qur'an and the Prophetic tradition, but on *munāsaba* (suitability), utilizing this approach to tackle various legal question in his Sufi writings.<sup>84</sup> The jurist has to engage directly with the legal, social, and even economic affairs with their practical implications.

One of the overriding, *Sharī'a*-based concepts that includes economic behaviour, is for al-Ghazālī *maṣlaḥa*, which promotes the social welfare of the community.<sup>85</sup> All matters and activities of man have to be seen as a means to achieve goals toward increasing the social welfare. The institution of *maṣlaḥa* concerns individual as well as social needs.<sup>86</sup> Al-Ghazālī not only furthered al-Juwāynī's conception of *maṣlaḥa* but also coined the notion of preservation of aforementioned five necessities (*al-ḥifẓ*), while repudiated *maṣlaḥa mursala* with the argument that *maṣlaḥa* (as also *istiḥsān*) cannot be derived from the textual sources but rather from the discretion of respective scholars.<sup>87</sup> Al-Ghazālī defined *maṣlaḥa* as observing objectives of the lawgiver, and thus being an integral part of *maqāṣid*, which includes five elements: preservation of religion, self, intellect, offspring, and property.<sup>88</sup> *Maṣlaḥa* as "public good" is inextricably related to *Sharī'a*, whose key objective is advocating what, according to the Qur'an, is perceived as good in the mundane and in the hereafter (*maṣlaḥa al-dīn wa al-dunyā*). According to al-Ghazālī there are three stages of *maṣlaḥa*: *darūri* or essential; *haji* or complementary, and; *taḥsīni* or amelioratory.<sup>89</sup> The basic level of *maṣlaḥa* incorporates five elements, aiming to preserve the dignity of human life or to prevent harm from human beings. The first level takes precedence over the second, and the second over the third. Since *maqāṣid al-Sharī'a* appears to be crucial in the development of Islamic law and economic teachings, this indicates that an economic agent

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<sup>83</sup> "In Ghazālī and in the entire premodern Islamic tradition, law is embedded in a dialectic not only with social and cultural norms but also, preeminently, with psychology as a mildly mystical realm." Wael Hallaq, *The Impossible State*, 137.

<sup>84</sup> "No ratio legis may be deemed suitable without being relevant. Any irrelevant ratio becomes, ipso facto, unsuitable, and this precludes it from any further juristic consideration" ... "the ultimate goal of suitability is thus the protection of public interest (*maṣlaḥa*) in accordance with the fundamental principles of the law. But in determining the *ratio legis* by the method of suitability, the jurist does not deal directly with the texts, since the ratio is not, strictly speaking, textual. Rather, he infers it through his rational faculty, though it must be in agreement with what may be called the spirit of the law." For more on the notion of *maqāṣid* and al-Ghazālī, see Wael Hallaq, "Maqāṣid and the Challenges of Modernity," *Al-Jāmi'ah*, Vol. 49, No. 1 (2011): 5-6.

<sup>85</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 109.

<sup>86</sup> According to al-Ghazālī, there are five compulsory *Sharī'a*-based foundations or components for a proper and just individual and social life: *dīn* (religion), *naḥs* (life of soul), *naṣl* (family), *māl* (wealth) and *'aql* (intellect, reason). Al-Ghazālī, *al-Mustaṣfā'*, Vol. 1, 102; Vol. 3, 212 f.

<sup>87</sup> See al-Ghazālī, *al-Mustaṣfā'*, Vol. 2, 306 ff.

<sup>88</sup> See al-Ghazālī, *al-Mustaṣfā'*, Vol. 1.

<sup>89</sup> Jasser Ouda, *Maqāṣid al-Sharī'a*, 7.

will try to seek *maṣlaḥa* instead of the notion of utility<sup>90</sup> in a conventional sense. Utility relates to the subjective conceptualization deriving from individual endeavours, whereas *maṣlaḥa* “is amenable to objective verification” and pertains also to society as a whole. Individual-based economic endeavours are regarded as undesirable for they do not correspond to the ethical concept of *maṣlaḥa*.<sup>91</sup> Since *maṣlaḥa* leads to fulfilling needs it advocates the idea of regulating wants. For al-Ghazālī, *maṣlaḥa* consists of considerations which would secure benefit or prevent harmful deed and corresponds to the objectives of the *Sharī‘a*. Any mechanism that would preserve the values within the scope of *maṣlaḥa*, and anything that would violate those very values, which is considered as *mafsada* (evil), is also *maṣlaḥa*.<sup>92</sup> His notion of *maṣlaḥa* “reconciled between two intellectual approaches in Islamic thought toward moral knowledge, the rationalist and subjectivist position.”<sup>93</sup> And since human needs fluctuate, so do the normative patterns that ought to correspond to the former.<sup>94</sup>

### 3.1.2. Al-Shāṭibī, Human Well-being and the Flexibility of *Sharī‘a*

Al-Shāṭibī advanced al-Juwāynī’s and al-Ghazālī’s theory and restored what he believed to be the essence of law in Islam, by pointing to the epistemological principles of the law.<sup>95</sup> The so-called

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<sup>90</sup> The concept of *falāḥ* can be translated as welfare and could roughly correspond to the Western construction of welfare which, of course, is absent in *fiqh* literature. Jeremy Bentham (1748-1832) wrote on social utility, which come from Latin *utilis*, meaning useful. Bentham used it for utilitarian ethics or utilitarianism to argue that what is useful is good. For Azhar, there is a difference between the institutional mechanism through which Islamic law evolved and Bentham’s thought. In Islam, *fiqh* has been an effort of private *fiqh* scholars, a living tradition, as for Bentham it was the institution of government which supposedly performed this task. It appears that the sphere of *fiqh* is much wider than the governmental legislation. The Western conceptualization of law would correspond to *qanūn*, which is only a part of the *fiqh* or rather *Sharī‘a*. Rauf Azhar, *Economy of an Islamic Economics*, 147.

<sup>91</sup> Al-Ghazālī, *Iḥyā’*, Vol. 3, 234, Vol. 4, 101.

<sup>92</sup> Kamali states that *maṣlaḥa mursalah* “is defined as a consideration which is proper and harmonious (*wasf munasib mula’im*) with the objectives of the Lawgiver; it secures a benefit or prevents a harm; and the *Shari’ah* provides no indication as to its validity or otherwise. The Companions, for example, decided to issue currency, to establish prisons, and to impose tax (*kharaj*) on agricultural lands in the conquered territories despite the fact that no textual authority could be found in favour of this. See ‘Abd al-Wahhāb Khallāf, *‘Ilm Uṣūl al-Fiqh* (Kuwait: Dār al-Qalam, 1978,) 84 in Kamali, *Principles of Islamic Jurisprudence*, 235.

<sup>93</sup> According to the Mu‘tazili school of thought deeds are inherently good or bad and hence in conjugation with the concept of harm. Following this, a ruling with be legible and correct if and when it permits somethings that is beneficial upon an individual or society, and incorrect when it encourages something that is harmful. On the other hand, theistic subjectivism and Ash‘arii school of thought advocated the idea that human intellect is not capable to derive moral knowledge separately from the Divine commands of the Scriptural sources, and thus requires a Divine intervention. Good and bad are hence dependent upon the notion of good and bad according to God alone, His command and prohibition. Despite that theistic subjectivism became the mainstream position of Sunni Islam, it was appropriated with the rationalistic method of human reasoning, making the legal process more arbitrary. Opwis, Felicitas, “Maslaha in Contemporary Islamic Legal Theory,” 188-190.

<sup>94</sup> Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 138.

<sup>95</sup> Wael Hallaq, *A History of Islamic Legal Theories*, 164-165.

“universals” as five universal principles (*kuliyyāt*) exist in relation to particularities.<sup>96</sup> The aim of the three legal categories relate to *maṣlaḥa* whose primary aim should be the benefit of the people. “In light of this taxonomy of interests (*maṣālih*) placed in the service of the aims of the law (*maqāṣid*).”<sup>97</sup> Al-Shāṭibī stated that “the rules of the *shar’* have been designed to produce goods (*maṣālih*) and remove evils (*maḥāsīd*) and these are certainly their ends and objects.”<sup>98</sup> For analyzing the legal normativity, al-Shāṭibī suggested the inductive method of approaching the textual sources, as he believed that the core of *Sharī’a* constituted principles of human good. *Maṣālih* encompass the preservation of human life or soul, one’s livelihood, intellectual qualities, religious expression and procreation or descendants.<sup>99</sup> He expounded three stages or rather circles of *maṣlaḥa*: *darūri* or essential, that is inner most, *haji* or complementary, pertaining to public sphere, and *taḥsīni* or amelioratory, relevant to societal practices and conduct. It is important to note that since there is no *maṣlaḥa* as such *per se*, the definition and value of *maṣlaḥa* “is based on the preponderance of benefit that accrues from it, provided that the benefit in question is in harmony with the objectives of the Lawgiver.”<sup>100</sup> Al-Shāṭibī formed an important element, pertinent to the *maqāṣid*: since there is a danger to miss the objectives behind the interpreted texts if translated word-for-word, they have to be approached from an overall standpoint in regard to the objectives, for textual sources themselves do not provide rulings *per se*. If religious teachings serve the fulfilment of man’s necessities, classification of what is allowed or forbidden is always associated with the fulfilment of man’s needs.<sup>101</sup> This indicates that *maṣlaḥa* does not exist on its own, and that religious norms are never objectives on themselves, but are in the service of the fulfilling societal needs and achieving moral ends. When the Qur’an dispenses indications of rule or conduct, for al-Shāṭibī this suggests a quest for better understanding (*fiqh*) of the underlined religious propositions,<sup>102</sup> including sale contracts, prohibition of (excessive) usury, ownership rights, and other forms of contract. His approach to legal knowledge (*‘ilm Sharī’*) asserts that licit *‘ilm* leads to *‘amal*.

### 3.2. *Istiḥsān and Istiṣlāḥ*

<sup>96</sup> Wael Hallaq, *A History of Islamic Legal Theories*, 165.

<sup>97</sup> Wael Hallaq, *A History of Islamic Legal Theories*, 169.

<sup>98</sup> Al-Shāṭibī, *al-Muwāfaqāt fī usūl al Sharī’a*, Vol. 1, 195; Abdul Haq Ansari, “Islamic Ethics: Concepts and Prospects,” *The American Journal of Islamic Social Sciences*, Vol. 6, No. 1 (1989): 88.

<sup>99</sup> Al-Shāṭibī, *al-Muwāfaqāt fī usūl al Sharī’a*, 25; Abdul Haq Ansari, “Islamic Ethics: Concepts and Prospects,” 89.

<sup>100</sup> Al-Shāṭibī, *al-Muwāfaqāt fī usūl al Sharī’a*, Vol. 2, 27 in Kamali, *Principles of Islamic Jurisprudence*, 239.

<sup>101</sup> Al-Shāṭibī, *al-Muwaafaqaat*, (Cairo: 1975), Vol. 3, 154, 153, and Vol. 2, 2 in Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 142-143.

<sup>102</sup> See al-Shāṭibī, *al-Muwāfaqāt fī usūl al Sharī’a*, Vol. 3, 217.

*Maṣlaḥa* is closely associated with *istiḥsān* and *istiṣlāḥ*, too. *Istiḥsān* was developed by the Hanafi *maddhab*, while the concept of *istiṣlāḥ* is a Maliki one. *Istiḥsān* is an important branch of *ijtihād*, and has played a prominent role in the adaptation of Islamic law to the changing needs of society using human knowledge and developed the principle of *istiṣlāḥ* on that premise. *Istiḥsān* is antithetic to *qiyās*, and, therefore, much closer to *ijtihād*.<sup>103</sup> *Istiḥsān* means to approve, or to deem something preferable. It is a derivation from the Arabic word *ḥasana*, which means good or beautiful and in Islamic law inspired by the principle of faire conduct and conscience, diverging from the rule of positive law. Unlike the western concept of equity, which relies on the philosophy of natural and common law,<sup>104</sup> *istiḥsān* pinpoints to the ethical principles of *Shari‘a*. “Unlike equity, which is founded in the recognition of a superior law, *istiḥsān* does not seek to constitute an independent authority beyond the *Shari‘ah*. *Istiḥsān*, in other words, is an integral part of the *Shari‘ah*, and differs with equity in that the latter recognises a natural law apart from, and essentially superior to, positive law.”<sup>105</sup> As such *istiḥsān* is flexible and utilized for various legal and economic mechanisms. Muslim jurists have historically disagreed on the validation of the term as a source of law.<sup>106</sup> The use of *istiḥsān* avoids rigid judgments and unfairness that might result from an enforcement of the existing law. *Istiḥsān* can be used to create new rulings in various contexts. Focusing on the notion of welfare economics can be applicable in the modern

<sup>103</sup> The concepts of *ra’y*, *‘ilm*, and *ijtihād* were intertwined and interrelated. “Ijtihad, from the very beginning, signified an intellectual quality supplementing ‘ilm, namely, the knowledge of traditional practice and the ability to deduce from it, through *ra’y*, a solution. It is no coincidence therefore that the combination *ijtihād al-ra’y* was of frequent use, signaling the exertion of *ra’y* on the basis of ‘ilm, knowledge of the authoritative past. Technically, ‘ilm, *ra’y* and *ijtihād* were interconnected and at times overlapping. So were the concepts of *ra’y* and derivatives of *ijma‘*, consensus, a concept that was to acquire central importance in later legal thought. The notion of consensus met *ra’y* when the latter emanated from a group or from a collective tribal agreement. Consensual opinion of a group [...] not only provided an authoritative basis for action but also for the creation of *sunan*. A new *sunna* might thus be introduced by a caliph on the basis of a unanimous resolution of a (usually influential) group of people. Other forms of consensus might reflect the common, unanimous practice of a community, originally of a tribe and later of a garrison town or a city.” Hallaq, *An introduction to Islamic law*, 54. Hallaq attempts to explain these derivations in the meaning of *Istiḥsan* by stating that “The broad outlines of the evolution of *istiḥsan* from the second/eighth-century arbitrary or semi-arbitrary mode of reasoning—severely attacked by Shafi‘i—to a coherent and systematic doctrine during the fifth/eleventh century and thereafter are well known,” Wael B. Hallaq, “Usul Al-Fiqh: Beyond the Tradition,” *Journal of Islamic Studies*, Vol. 3, No. 2 (1992): 196. For more on *istiḥsan* and *istiṣlah* see Bernard G. Weiss, ed., *Studies in Islamic Legal Theory* (Leiden: Brill, 2002).

<sup>104</sup> “General equity,” pertaining to natural law signifies the moral law furnished by earlier Reformed and contemporary Puritan literature. Equity as the righteousness of the moral law, is embodied in a natural law and Scriptural sources. The Roman perception of the natural law, however, differs from today’s understanding of the natural law. For more on equity and natural see e.g. Howard L. Oleck, “Historical Nature of Equity Jurisprudence,” *Fordham Law Review*, Vol. 20, Issue 1 (1951): 23-44; Godfrey P. Schmidt, “An Approach to the Natural Law,” *Fordham Law Review*, Vol. 18, Issue 1 (1950): 1-42, available at: <http://ir.lawnet.fordham.edu/flr/vol19/iss1/1>.

<sup>105</sup> Kamali, *Principles of Islamic Jurisprudence*, 217.

<sup>106</sup> Proponents of Shafi‘i, Zāhiri and Shi‘i doctrine have rejected it in their legal theory of *usūl al-fiqh*, whilst of the Hanafi, Maliki, and Hanbali ‘*ulama*’ have validated it. See Mohammad Hashim Kamali, *Principles of Islamic Jurisprudence*, 248.

context when dealing with economic stipulations. Since *istihsān* is, in the juristic sense of the word, related to a method of exercising personal opinion, it is closely related to *ra'y*.<sup>107</sup> *Istiṣlāḥ* on the other hand is derived from the word *maṣlaḥa*, which can be translated as “common good.” *Istiṣlāḥ* is defined as “distinguished from the broader principle of the *maṣlaḥa* and mentions that it is a principle that permits a more flexible type of analogy as compared to *qiyas*.”<sup>108</sup> *Istiṣlāḥ* can be derived and applied within legal spectrum in order to protect the welfare (or well-being) of individuals and society, by promoting what is beneficial and reducing harm, including advocating lawful economic trade agreements and avoiding investing into economic assets that would turn out to be harmful, like alcohol or armaments. “The *masalih* (pl. of *maslahah*), in other words, can neither be enumerated nor predicted in advance as they change according to time and circumstance.”<sup>109</sup>

#### 4. *Siyāsa Shar‘iyya* – between the Moral and Legal Realm

##### 4.1. The Term and the Scope

Since the political and the legal were in classical Islam interwoven on a moral level,<sup>110</sup> in this subchapter a closer look at the historical notion of *siyāsa Shar‘iyya* and its applicability to economic well-being will be briefly presented. Scholars such as Schacht maintain that the political and the legal were in the premodern period, given the emergence of the early Islamic rule, set apart.<sup>111</sup> Thus *siyāsa* and *Sharī‘a*, despite certain degree of intertwinement, are not mutually exclusive concepts. Islamic law has been primarily precluded to the study of *fiqh*, while other domains, such as *siyāsa* or *maṣlaḥa*, have remained in the backdrop of the legal terminology.<sup>112</sup> *Siyāsa Shar‘iyya* can be translated as government in accordance with the goals

<sup>107</sup> *Ra'y* expresses personal opinion in both *qiyās* and *istiḥsān*. The latter two concepts have been criticized by al-Shāfi‘ī, which contributed to the discussion of the validity of *istiḥsān*. See Kamali, *The Encyclopedia of Religion* XII, c.v. “Qiyas” (Analogy), 128 ff.

<sup>108</sup> Imran Ahsan Khan Nyazee, *Theories of Islamic Jurisprudence* (Cambridge: Islamic Texts Society, 2003).

<sup>109</sup> Al-Shāfi‘ī, *al-Muwāfaqāt fī Usūl al-Sharī‘a*, Vol. 2, 2-3 in Kamali, *Principles of Islamic Jurisprudence*, 218.

<sup>110</sup> “In theory, and largely in practice, the powers conferred upon the ruler through *siyāsa Shar‘iyya* were not only consistent with the dictates of religious law; they were, as we will soon see, an integral extension of this law.” Wael Hallaq, *The Impossible State*, 67.

<sup>111</sup> See Joseph Schacht, *An Introduction to Islamic Law* (Oxford; New York: Clarendon Press, 1982), 302.

<sup>112</sup> *Siyāsa shar‘iyya* can be denoted as *Sharī‘a*-compliant governance or the executive branch of Muslim government. To some practitioners of Islamic Law, *siyāsa Shar‘iyya* refers strictly to the extant regulatory instruments of a Sharia law-based government. The legal authority for *siyāsa Shar‘iyya* is implied by Muslim theocracies as a necessary extension to their responsibilities to supplement the broad criminal law principles of the Koran and other Muslim

and objectives of *Sharī'a* and it is applicable to all government policies, be it in areas where the *Sharī'a* provides explicit guidelines or otherwise.<sup>113</sup> It can be also understood as a *Sharī'a*-oriented policy which serves as a tool of flexibility, designed to serve the cause of justice and good government, especially when the rules of *Sharī'a* fall short of addressing certain situations or developments, that as a doctrine demands from the ruler to engage into the worldly affairs and to uphold the norm of *Sharī'a*. As the term suggests, the policy measures<sup>114</sup> that are taken in the name of *siyāsa Shar'iyya* must be *Sharī'a*-compliant, as its purpose is generally to facilitate rather than circumvent the implementation of *Sharī'a*. Rules of procedure, policy decisions, legislative and administrative measures that are laid down and taken for the purpose would thus fall within the ambit of *siyāsa Shar'iyya*. There is also a view that *siyāsa* only applies outside the substantive *Sharī'a*, whereas according to an opposite view *Sharī'a* and *siyāsa* go hand in hand and that the *Sharī'a* is deficient without *siyāsa*.<sup>115</sup>

Under the banner of Islamic law can be classified the study of legal opinions (*fatāwa*), legal and court rulings (*aḥkām*), and governance-oriented polity based on *Sharī'a* norms (*siyāsa*).<sup>116</sup> *Siyāsa* as such can be found in various texts and deliberations, not only in *fiqh* literature.<sup>117</sup> The fact that appointing of ruler was just discussed in *fiqh* manuals but also in texts of systematic theology (*kalām*)<sup>118</sup> and in the literature bearing its own title,<sup>119</sup> says a great deal about how *siyāsa* was invoked in various fields of Islamic sciences. This applies to the administrative-related laws and financial matters which fall outside of the scope of *fiqh*.<sup>120</sup>

In the view of the marriage of the moral and legal, the sociopolitical cannot be squared in the judicial prescriptions. Despite the fact that the Muslim community until the middle of the 9<sup>th</sup>

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legal texts of sacred origin, on points of detail; to make regulations or policy decisions. *Siyāsa* means politics or in this context, especially policy and is distinguished from the literal content of the Koran, Muslim law, *fiqh*.

<sup>113</sup> Kamali, *Sharia Law: An Introduction* (Oxford: Oneworld Publications, 2008), 226.

<sup>114</sup> There are dual, mixed, classical- *Sharī'a*-based, and secular legal systems. Nigeria and Kenya, for instance, have *Sharī'a* courts that rule on family law for Muslims. The application of *siyāsa* historically pertain to the discretionary power of the rule of judges, as well as to administration on public affairs.

<sup>115</sup> Kamali, *Sharia Law: An Introduction*, 225.

<sup>116</sup> Muhammad Khalid Masud, "The Doctrine of Siyaasa in Islamic Law," *Recht van de Islam*, Vol. 18 (2001): 2.

<sup>117</sup> See e.g. Muhammad Khalid Masud, Brinkly Messick and David Powers, eds., *Islamic Legal Interpretation: The Muftis and their Fatwas* (Cambridge, Massachusetts: Harvard, 1996); George Makdisi, "The Shari'a Court Records of Ottoman Cairo and Other Resources for the Study of Islamic Law," *American Research Center in Egypt Newsletter*, No. 114 (1982): 3-10; Fawzi M. Najjar, "Siyaasa in Islamic political Philosophy," *Islamic Theology and Philosophy. Studies in honor of George F. Hourani*, ed. M.E. Marmura (Albany: State University of New York Press, 1984), 92-110.

<sup>118</sup> See al-Māwardī, *Aḥkām al-Sulṭāniyya* (Misr: al-Babi al-Halabi, 1973); al-Ghazālī, *Nasihāt al-Muluk: al-Ghazali's Book of Counsel for Kings*, trans. F.R.C. Bagley (London: Oxford University Press, 1964).

<sup>119</sup> See *Siyāsa Sharī'a* texts by al-Mawārdī, Ibn al-Farrā', Ibn Taymiyya, etc.

<sup>120</sup> Muhammad Khalid Masud, "The Doctrine of Siyaasa in Islamic Law," 3. See e.g. Abū Yūsuf, *Kitāb al-Kharaj* (Beirut: Dār al-Ma'arifa, 1979); Abū Yūsuf, *Kitāb al-Kharaj*, trans. A. Ben Shemesh (Leiden: Brill, 1969).

century perceived caliphs as political and religious advocates,<sup>121</sup> caliphs in fact did not legislate laws. Rather, they held symbolic and political power over the *umma*. Later “from the tenth century at the latest, and onwards, the political authorities were no longer considered to be lawgivers.”<sup>122</sup> In this regard

The ruler’s *siyāsah*, then, is precisely the responsibility of making specific laws in accordance with the general principles of the *sharī‘ah* by observation of the needs of the time and place... And since the test of *siyāsah* as *sharī‘ah* is *maṣlaḥah* (i.e., if the *siyāsah* delivers *māṣlaḥah* then it is self-evidently in accordance with health-giving *sharī‘ah*), the reverse also applies: whenever a ruling entails *maṣlaḥah* as a source of jurist’s law.<sup>123</sup>

#### 4.2. *Siyāsa* in Classical Islam as Law and Policy

*Siyāsa*, as a technical term denoting government-oriented policy predated *siyāsa* as a concept within Islamic law, which later came to mean rulers’ discretionary power in applying *fiqh* law. Islamic governance was enshrined in the *Sharī‘ah*-based subjectivity. As indicated by al-Shāfi‘ī, the notion of *siyāsa* targets ruler’s discretion. Muhammad Khan Masud notes that

Neither the Caliphs were interested in adopting *fiqh* as law of the Caliphate, nor the jurists were writing *fiqh* texts for the caliphs to adopt them. The jurists were writing these books for the *qādis* as source books. They were never meant to be binding. It was left to the discretion of the *qādis* to accept, choose or refine the view given in those books. The *fiqh* books themselves preserved the proverbial diversity of views on legal issues that existed in the madhhab (law school) literature.<sup>124</sup>

For al-Shāfi‘ī, society at large ought to be governed based on the wisdom of the Qur’an. For this reason, he refuted any form of *siyāsa* did not accord with the Qur’anic and Prophetic

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<sup>121</sup> See Josef van Ess, *Theologie und Gesellschaft im 2. und 3. Jahrhundert Hidschra. Eine Geschichte des religiösen Denkens im frühen Islam* (Berlin: Walter de Gruyter, 1991-1997), Vol. 1; Patricia Crone and Martin Hinds, *God’s Caliph. Religious Authority in the First Centuries of Islam* (Cambridge: Cambridge University Press, 1986), 5-15, 20-36; Roy P. Mottahedeh, *Loyalty and Leadership in an Early Islamic Society* (Princeton: Princeton University Press, 1980).

<sup>122</sup> Baber Johansen, *The Changing Limits of Contingency in the History of Muslim Law*, 7.

<sup>123</sup> Shahab Ahmed, *What is Islam?* (Princeton: Princeton University Press, 2016), 471.

<sup>124</sup> Muhammad Khalid Masud, “The Doctrine of *Siyāsa* in Islamic Law,” 5.

teachings.<sup>125</sup> Also al-Māwardī's *al-Aḥkām al-Sulṭāniyya*<sup>126</sup> explains the political authority and its relation to the Islamic legal corpus, whereby the notion of religion is often confronted with the conception of the state government. For him, *siyāsa* refers to the governmental ordinances, in the function of an *imām* who strives to preserve legal matters concerning this world and the hereafter.<sup>127</sup> Al-Ghazālī's notion of *siyāsa* brings us closer to our problem, namely the intricate relation between the rule, governance, and public good or social welfare. His notion of *siyāsa* relates to the economic preservation, ruler's control over it, and the role of the state.<sup>128</sup> Ibn Qayyim al-Jawziyya divided *siyāsa* into two types: oppressive policy (*siyāsa ḡāimah*), which goes against the nature of *Sharī'a*, and just policy (*siyāsa 'ādilah*) which is meant to be in the service of justice.<sup>129</sup> The main principles of the just policy are justice ('*adl*) and good government, whereas oppressive policy expounds self-interest and unjust reign. Likewise, for Ibn Taymiyya, *siyāsa* is grounded in the Qur'an and its promulgation of good faith and devotion. Government as such is a trustee and hence ought to perform justice over the subjects on which it reigns.<sup>130</sup> Just rule further pertains to the elimination of corruption, incompetency, and the encouragement of good character of ruler. *Siyāsa* must be in accordance and thus compatible with *Sharī'a*, and pertains to the social and political realm. This extends to his conviction that governmental authority has to be formed on religious grounds, for '*adl* can be achieved only through the implementation of governmental policy.<sup>131</sup> Islamic governance rests not only on legal and political, but primarily on moral and metaphysical foundations, sustained by community who – unlike the nation-state – does not possess political sovereignty.<sup>132</sup>

Trusteeship facilitates a certain level of discretionary power in order to attain level on justice, yet *Sharī'a* does not provide details on governance, rule, and political assertion of power in terms that correspond to modern standards. It instead offers broad and left-to-interpretation-

<sup>125</sup> See al-Shāfi'ī, *Kitāb al-Umm* (Cairo: al-Dār al-Misriyya, n.d.), Vol. 1, 7. Al-Shāfi'ī preferred *qiyās* over *ra'y* also when it comes to ruling and governing.

<sup>126</sup> Al-Māwardī, *al-Aḥkām al-Sulṭāniyya* (Misr: al-Babi al-Halabi, 1973), 3-4.

<sup>127</sup> On this note al-Māwardī differs with al-Shāfi'ī on the notion of rights of God and rights of man in how a caliph should conduct his authority. The latter did not allow the caliph to exercise his opinion with the subjects in the domain of the rights of God. The former, on the other hand, permits the caliph to hear such cases at courts. See Muhammad Khalid Masud, "The Doctrine of Siyaasa in Islamic Law," 8.

<sup>128</sup> Al-Ghazālī, *Iḥyā'*, 10-11, 53, 55.

<sup>129</sup> Ibn Qayyim, *Al-Ṭuruq al-Hukmiyyah fī al-Siyāsa al-Shar'iyya*, ed. Muḥammad Ḥāmid al-Fāqī (Cairo: Maṭba'at al-Sunnah al-Muḥammadiyyah, 1993), 5.

<sup>130</sup> "... laws made in consonance with and for the fulfillment of the universal principles of the *sharī'at* are expressions and specifications of *sharī'at*: as such, it is difficult to conceive of the ruler's *siyāsah* as anything other than an expression of *sharī'at* ... And *maṣlaḥat* is the proof of the *siyāsah-sharī'at* pudding." Shahab Ahmed, *What is Islam?*, 471.

<sup>131</sup> Ibn Taymiyya, *al-Siyāsah Shar'iyyah fī Iṣlāḥ al-Rā'ī wa al-Ra'īya* (Cairo: al-Sha'b, 1971), 180-185.

<sup>132</sup> Wael Hallaq, *The Impossible State*, 48.



based schemes for just policy and it can be perceived as being tantamount to *maṣlaḥa* due to the aim of facilitating the well-being of society on matter that could not be found in the scriptural sources. *Siyāsa sharʿiyya* aims at securing the benefit for the people and ensuring the efficient management of their affairs, even if the measures taken are not stipulated in the text.<sup>133</sup> In this regard not only *fiqh*, but primarily the Qurʾanic ethos, and the ruler's political decisions can constitute premise for (just) governance. *Siyāsa sharʿiyya* hence denotes the administration of public affairs in an Islamic polity with the aim of realizing the interests of the people and safeguarding them against mischief, in harmony with the general principles of *Sharīʿa*. Additionally, the term *ʿilm tadbīr al-manzil*, which in classical Islam denoted the science of household management, is often used in parallel with *siyāsa*.<sup>134</sup> ʿAbd Allah Ibn Muqaffa asserts that *siyāsa* is good governance, wherein the Caliph had to be obedient to *Sharīʿa*. In cases where there was a clear divergence from *Sharīʿa* norms, his ruling had to be disregarded. Ibn Muqaffa disagreed with both extreme views and encouraged the Caliph to exercise *raʾy* and *ijtihad* in the absence of the text.<sup>135</sup> Ibn al-Muqaffa saw religious and political duties of the caliph as an extension to other regulations. "He maintained that subsequent caliphs could review and revise such regulations, but none had the power to abrogate the major principles of *Sharīʿa*. This was for Ibn al-Muqaffa the meaning of the *hadith* that 'there was no obedience in transgression'."<sup>136</sup> Also Ibn Khaldūn, whose ideas on political, social, and economic aspects of government will be presented below, spoke of two types of *siyāsa*: *siyāsa ʿaqlīyya* or rational policy and *siyāsa dinīyya* or religious policy. The former is put forward by rulers who have the ability to govern justly, whereas the latter follows the already prescribed revealed text.<sup>137</sup>

## 5. Qurʾanic Metaphysics and the History of Islam's Moral Economics

<sup>133</sup> Kamali, *Sharia Law: An Introduction*, 227; Kamali, "Siyasa Shari'a or the Policies of Islamic Government," *The American Journal of Islamic Social Sciences*, Vol. 6, No. 1 (1989): 61.

<sup>134</sup> "Hallaq notes that the Shari'a [...] was suspicious of the ruler's executive power, and insisted on an economic and social system that served the interests of the communities of believers, not those of the ruler (or ruling class). That the general goal of Islamic law has always and everywhere been to maintain individuals – to the greatest extent possible – in their social positions, remains one of the most valid generalizations about legal system." Wael Hallaq, *Sharīʿa: Theory, Practice, Transformations*, 366. See also Wael Hallaq, "Qurʾanic Constitutionalism and Moral Governmentality: Further Notes on the Founding Principles of Islamic Society and Polity," *Comparative Islamic Studies*, Vol. 8, No. 1-2 (2012): 1-51.

<sup>135</sup> K.S. Ann, *State and Government in Medieval Islam* (Oxford: Oxford University Press, 1981), 51 in Muhammad Khalid Masud, "The Doctrine of Siyaasa in Islamic Law," 6.

<sup>136</sup> Ibn al-Muqaffa' as quoted in Bernard Lewis "Siyasa," *Quest of an Islamic Humanism: Arabic and Islamic Studies in Memory of Muhammad al-Nowaihi*, ed. A. H. Green (Cairo, 1984), 6-7.

<sup>137</sup> Ibn Khaldūn, *Muqaddima*, 337.

According to Islahi, Muslim scholars' writings on economic ideas can be divided into three periods – the formation, translation, and transmission period.<sup>138</sup> During the formative period when the Islamic legal schools were established. The translation period is designated as the era in which foreign ideas and texts were incorporated and translated into Arabic. There are four groups associated with this translation period. First, there are the *muḥdathūn*, which includes Ibn Abī al-Dunyā, Kinānī,<sup>139</sup> al-Farra,<sup>140</sup> al-Sarakhsi,<sup>141</sup> and others. Synthesis, complementation, and application were some of the processes of the Islamic scholastics, theologians or so-called *mutakallimun*, to whom belonged Fakhr ad-Dīn ar-Rāzī,<sup>142</sup> al-Dimashqī, al-Māwardī,<sup>143</sup> and al-Ghazālī, among others. A third group comprised of thinkers called *hukama* or Islamic philosophers, who were deeply influenced by Greek philosophy. To this circle belonged Ibn Sīnā,<sup>144</sup> Ibn al-Haytham,<sup>145</sup> Ibn Ṭufayl,<sup>146</sup> Naṣīr al-Dīn al-Ṭūsī,<sup>147</sup> and others. A fourth group, namely Sufis or *ahl al-taṣawwuf*, incorporated mystic elements of divine worship into an economic rationale, founded upon Islamic sources.<sup>148</sup> In the transmission period various Arabic

<sup>138</sup> The first phase can be described as the formation period, spanning from the commencement of the Qur'anic revelation to the end of the era of Companions i.e. ṣahāba (11 – 100 H. / 632 – 718 A.D.); The second phase is the translation period, marking the influx of foreign intellectual ideas into the Arab-Muslim cultural milieu (2nd – 5th H. / 8th – 11th century A.D.); The third phase designates the transmission period, which witnesses the dissemination of translated texts from the hands of Muslim scholars, when Greco-Islamic ideas reached Europe (6th – 9th H. / 12th – 15th A.D. century). Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis, 11-905 A.H./632-1500 A.D.*, 11-18.

<sup>139</sup> Abū Bakr Yaḥyā b. Umar al-Kinānī (828-901) a Maliki jurist, who composed *Kitāb Aḥkam al-Sūq* (A Book on Rules of the Market) in which he deals with issues related to market problems, price, supply and demand, and monopoly.

<sup>140</sup> Abū Yala Muḥammad bin al-Ḥusayn al-Farra (990-1066) addressed economic issues in *al-Aḥkām al-Sulṭāniyyah* (The Rules of Government).

<sup>141</sup> Abū Bakr Muḥammad bin Aḥmad al-Sarakhsi was a Hanafi jurist from Transoxania. His most important work is *al-Mabsut*, which is a detailed commentary on *al-Sijār al-Kabīr* by Muḥammad al-Shaybānī.

<sup>142</sup> Fakhr al-Dīn al-Rāzī (1149-1209) was a judge, theologian (*mutakallim*) and historian. His commentary on the Qur'an are of great interest also to economists.

<sup>143</sup> Ali b. Muḥammad al-Māwardī (974-1058) was from Baghdad; his work *al-Aḥkām al-Sulṭāniyyah* (the Ordinances of Government) was commissioned by the Caliph, containing a wide range of subjects including market supervision, and economic role of government. Thomas Bauer, however, notes that *al-Aḥkām al-Sulṭāniyyah* was not a book on state theory in Islam, but stated in light of multiple discourses, also a book on Islamic law. Thomas Bauer, *Die Kultur der Ambiguität*, 315-319.

<sup>144</sup> Al-Ḥusayn bin Abdullah Ibn Sīnā (980-1037) wrote on logic, philosophy and medicine. His *al-Qanūn* (the Canon of medicine) and *al-Shifā'* (Healing, known in the West as the *Sanatio*) was utilized for teaching medicine in Europe until the 17th century.

<sup>145</sup> Al-Ḥasan b. Ḥusayn Ibn al-Haytham (965-1039) from Basra was an Arab mathematician and physicist.

<sup>146</sup> Ibn Ṭufayl (1110-1182) was the first Andalusian thinker who utilized Ibn Sīnā's *al-Shifā'*. His thought represents a late continuation of Ibn Sīnā's philosophy, as well as the more Aristotelian line of reasoning that would later be represented by Latin scholasticism.

<sup>147</sup> Naṣīr al-Dīn Abū Ja'far al-Ṭūsī (1201-1274) was born in Ṭus and died in Baghdad. His writings on economic matters can be found in his treatises on finance – *Risālah Maliyyah* and *Akhlāq al-Nasiri*.

<sup>148</sup> Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 15.

texts were translated in European languages, such as works of Ibn Sīnā, al-Farābī, Ibn Rushd, Ibn Ṭufayl, and others, and the medieval Islamic scholarship's influence on the European scholasticism<sup>149</sup> has been well documented.<sup>150</sup>

However, classical scholars' writings can be divided also according to their contents – despite a certain degree of overlap – namely, texts which formed more legal-political and ethical narration in a form of basic principles of conduct for rulers and of the structure of power and economic behavior (e.g. Abū Yūsuf, Abū 'Ubayd al-Qāsim ibn Sallam<sup>151</sup>); texts that expound primarily spiritual and moral views on economy (e.g. al-Shaybānī, Ibn Abī al-Dunyā, al-Muḥāsibī, al-Ghazālī); and text that address economics in a more systematized and detailed fashion (e.g. Ibn Taymiyya, Ibn Khaldūn, al-Maqrīzī).

Generally, at least three approaches to classical economic analysis in Islam can be detected, each corresponding to a different objective: studies on Medieval economics that largely leave out the contribution made by Muslim scholars on economic analysis;<sup>152</sup> studies aiming to prove that Muslim scholars had invented an early form of capitalism;<sup>153</sup> and studies expounding

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<sup>149</sup> The term “scholastics” relates to the Christian philosophical approach that aimed to reconcile theology with philosophy, commencing with thinkers such as Thomas Aquinas (d. 1274 AD). S.M. Ghazanfar and Abdul Azim Islahi, *Economic Thought of an Arab Scholastic: Abu Hamid Al-Ghazali*, *History of Political Economy*, Vol. 22, No. 2 (1990): 381.

<sup>150</sup> See e.g. Rodney Wilson, *Islamic Economics* (Leiden: Brill, 2006): *A Short History*; Ghazanfar, S.M. *Medieval Islamic thought: filling the “great gap” in European economics* (London: Routledge, 2003).

<sup>151</sup> Abū 'Ubayd al-Qasim ibn Sallam was Abī al-Dunyā's teacher, who provides a record of legal precedents laid down in the first two centuries of Islam, in particular those pertaining to the sources of revenue and the avenues of public expenditure. Abū 'Ubayd al-Qasim ibn Sallam, *Kitāb al-Amwāl*; for English translation see Abū 'Ubayd al-Qasim ibn Sallam, *The Book of Revenue: Kitāb al-Amwal* (Doha: Garnet Publishing Ltd., The Center for Muslim Contribution to Civilization, 2005).

<sup>152</sup> Joseph Schumpeter discussed the evolution and history of economic thought in his famous *History of Economic Analysis*. Various scholars have commented on Schumpeter's book, in which he presented the early, classical and modern history of economics in an elaborated fashion. Despite the importance of Schumpeter's analysis of the development of economic history, he left out an important part of this history, namely the contribution of Muslim scholars to the field. The Schumpeterian “great gap” has been questioned by several scholars – (e.g. Ghazanfar, S.M. *Medieval Islamic thought: filling the “great gap” in European economics* (London: Routledge, 2003); Mirakhor Abbas, “Muslim Scholars and the History of Economics: A Need for Consideration,” *American Journal of Islamic Social Sciences*, Vol. 4, No. 2 (1987): 249) – due to the omission of Islamic economic history and the influence it had upon the ideas of European medieval scholars. The study of medieval Islamic economics and Arab scholastics reveals that Muslim contribution to the subject bears a profound relevance for the overall development and perception of economic thought. The “great gap” in economic history, as well as the omission of major Medieval Muslim scholars shed light on how neglected the writings of Muslim contributors have been in the modern era. Schumpeter's primary aim was the analysis, not the theory, of economic thought (Ameer Ali and Herb Thompson, “The Schumpeterian Gap and Muslim Economic Thought,” *The Journal of Interdisciplinary Economics*, Vol. 10 (1999): 31-49, accessed November 22, 2016, <http://www1.aucegypt.edu/faculty/thompson/herbtea/articles/jie3.html>).

<sup>153</sup> Benedikt Hoehler maintains that Muhammad's approach toward economic matters and early Islamic trade arrangements were the first form of capitalism (see Benedikt Hoehler, *Early Islam and The Birth of Capitalism*). However, early Islamic modes of conduct that allowed profit, trade routes, and market-based prices (in the time of a healthy economic production), is mostly a description of capital and trade, and not capitalism as a system. Capitalism as societal system and legal organization that benefitted full marked to exist was designated as Marked-capitalism by

the idea of ethical and economic convergence in Islamic tradition. The last strand pertains to analysis of classical economic ideas within the context of broader theological, philosophical, legal, and moral ideas.

Economic ideas predated Islam, including the economic philosophy of the Greeks, who were presumably considered as the forefathers of what is today known as Western economic thought.<sup>154</sup> Historically, the Muslim community was very well versed in trade, markets, the notion of fair price, distribution, supply and demand, and taxation. The evolution of economic thought in Islam can be traced back to the earliest period of Islam, as economic issues had been raised already by the prophet Muḥammad and the Rashidun caliphate.<sup>155</sup> In the first centuries of Islam various economic issues had been discussed in light of the holy Qur'an, such as the prohibition of usury, the institution of *zakāt*, and the encouragement of economic activities for human welfare,<sup>156</sup> in line with the Divine law. The Qur'an emphasizes the notion of *'adl* (justice) in all dimensions of one's life, including the economic.<sup>157</sup> Economic purchases are expected to be conducted in a fair and truthful manner, meaning, securing channels of cooperation between a buyer and seller with honest description of the product.<sup>158</sup> The maintenance of justice in economic affairs has also been upheld by the Qur'anic maxim *'amr bi al-ma'rūf wa al-naḥi 'an al-munkar* (allowing what is right and forbidding what is wrong).<sup>159</sup> Yet, as important as the Qur'anic epistemology is as the origin and bedrock of Islamic economic thought, it is the human interpretation of the early jurists and scholars who attempted to produce, reflect, and apply economic thinking in Islam. The establishment of a more systematic intellectual underpinnings emerged with classical Muslim scholarship, which developed advanced ideas on economic philosophy that has been perceived as an integral component of *Sharī'a* righteous and moral behaviour. Economics as an independent discipline did not exist in the classical Muslim world. Only late scholars of the medieval period, such as Ibn Taymiyya, Ibn Khaldūn, and al-Maqrīzī

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Marx and later Weber, which was protected by law and violence by the state (see Marx, Weber). What capital demands in order to preserve its self-existence is a surplus value beyond the (morally) regulated trade agreements and treatment of market as a competitive force of exploitation. Despite that profit is licit in Islam, the existence of certain types of private property, and semi-regulated markets, classical Muslim scholars, based on the Qur'anic perception of ethical cosmology, upheld *Sharī'a*-compliant, regulated and well-being-oriented, ethical policies for society at large. Further, even if the intellectual history of Islam pinpoints to a different reality than the matters on the ground concerning economy in Islam, this, however, does not negate the fact that classical Muslim scholars' warned against certain economic practices that were in opposition to the general ethos of *Sharī'a*, which came to flourish under the aegis of certain Muslim administrations and rulers.

<sup>154</sup> See e.g. Joseph Schumpeter, *History of Economic Analysis* (Oxfordshire: Taylor & Francis e-Library, 2006).

<sup>155</sup> See Rodney Wilson, *Islamic Economics: A Short History*, 92-125.

<sup>156</sup> See Qur'an 7: 10, 7:32, 34:15.

<sup>157</sup> See Qur'an e.g. 4:58, 11:84, 16:76, 43:15, etc.

<sup>158</sup> See Qur'an e.g. 5: 39, 6:152, 7:85, 11:84, etc.

<sup>159</sup> Qur'an 7:152, 9:71.

(14<sup>th</sup> and 15<sup>th</sup> century), produced more specified economic literature. In spite of flourishing of market trades and economic activities, the subject of economy was not a distinct sphere, but was addressed under the domain of theology and moral epistemology. This however does not indicate a religious economy, but an economic discourse pertinent to the moral cosmology.

The Arabic term for household management was *tadbīr al-manzil*,<sup>160</sup> equivalent to the Greek concept of *oikonomia*,<sup>161</sup> which pertains to family-based management of a household. At times it was differentiated from the term ethics (*tadbīr al-nafs; al-akhlāq*) and political management (*siyāsa*). In a household, the primary concern was the provision of basic necessities for the needy.<sup>162</sup> In Islamic tradition, the term economics is equated with *al-iqtisād*,<sup>163</sup> the science of earning and provision (*‘ilm al-iktisāb wa al-infāq*),<sup>164</sup> as understanding and analyzing how one acquires wealth and distributes it according to moral measures. *Iqtisād* is thus the activity of seeking and realizing what is judicious and sage.<sup>165</sup> Due to the judicious objectives of the term, the worldly and material of *iqtisād* and *qaṣd* hence cannot be extrapolated from the transcendent and moral.<sup>166</sup> As such, the economic (trading, acquiring wealth, consumption, etc.) entails wider socio-ecological as well as moral derivations, for the judicious acquisition of wealth denotes the spiritual well-being, something which was prudently analyzed by classical Muslim scholars.

Not only jurists<sup>167</sup> but also philosophers, theologians and Sufis discussed essential issues of Islamic ethics, touching upon the epistemology of moral conduct, Qur’anic terms, and the role of human obligations and responsibilities. In this sense, for many classical Muslim scholars, the Islamic understanding of economic life correlated to the material life with the higher goals and

<sup>160</sup> “To pay attention to where things lead” (*an tazazzura ila mā ta’ūlu ilayhi ‘āqibatuhu*). Ibn Manzur, *Lisān al ‘Arab* s.v., 1979.

<sup>161</sup> For more on different meanings of *oikonomia* by Plato, Aristotle, and the development of the concept in the Christian tradition, see Giorgio Agamben, *The Kingdom and the Glory* (Stanford: Stanford University Press, 2011), 17-52.

<sup>162</sup> The household model can be applied to a community or a state, or globally speaking to earth, intertwining economic ideas with ecological and political. Economy and ecology belong to the same root – the first pertains to management, whilst the second to the study of household. Economy and ecology are in this sense regarded as two corresponding domains of the extended household. “There is no tradeoff between economy and ecology, but rather, *economy must conform to ecology*.” Adi Setia, “The Restoration of Wealth: Introducing Ibn Abī al-Dunyā’s *Iṣlāḥ al-māl*,” *Islamic Sciences*, Vol. 13, No. 2 (2015): 93.

<sup>163</sup> *Iqtisād* from *qaṣada*, meaning “purpose,” “justice,” “aim,” “direction,” “objective.”

<sup>164</sup> Adi Setia, “The Restoration of Wealth: Introducing Ibn Abī al-Dunyā’s *Iṣlāḥ al-māl*,” *Islamic Sciences*, Vol. 13, No. 2 (2015): 93.

<sup>165</sup> Adi Setia, “The Meaning of ‘Economy’: *Qaṣd, Iqtisād, Tadbīr al-Manzil*,” *Islamic Sciences*, Vol. 14, No. 1 (2016): 120-121.

<sup>166</sup> I.e. the material (worldly) is not sought on its own, but rather as a moral endeavour of eschatological proportions. In this regard, the *Qur’anic* is *per se* theological, spiritual, and moral that transcends purely material and techno-pragmatic realm.

<sup>167</sup> E.g. also Abū ‘Ubayd emphasized justice and fairness as the backbone of one’s wealth and economic and financial composition.

objectives of the Hereafter.<sup>168</sup> By applying theory of analogy, Muslim scholars established rules from *Sharī'a* injunctions, in which economic ideas were only one component of the overall complexity of Islamic jurisprudential, theological, and Sufi writings. Many works on legal theory (*usūl al-fiqh*), Sufism (*taṣawwuf*), principles of just governance (*aḥkām al-sulṭāniyya*), and public expenditures (*al-kharāj*) discussed ethical, theological, and metaphysical terms, that pertain to the sociopolitical dimension and economic justice.<sup>169</sup> The epistemological distinction was made between ideal knowledge to be obtained through the highest order of contemplation, and moral virtues as righteous conduct. Even though Sufis for instance sought to attain a higher level of knowledge through *kashf* (spiritual retreat) and the practice of *zuhd* (asceticism, renunciation or extramundane detachment), they also exerted ideas in how to exercise actions in connection with the *dunyā*, such as moral conduct of economic provision and wealth (*māl*).<sup>170</sup> As we shall see in the following paragraphs, terms such as ethics (*akhlāq*), household management (*tadbīr al-manzil*), governmental policy, and political science (*‘ilm al-madani*),<sup>171</sup> are to be perceived not only within the technical-legal but first and foremost within the cosmological-moral domain extrapolated through the Qur’anic ethos. The classical Muslim scholars’ ethico-juristic and spiritual-moral treaties on economics provide insight into the intricate correlation between worldly economy (*kasb*) and extramundane detachment (*zuhd*)<sup>172</sup> in how to acquire livelihood, pursue religious obligations, obtain licit goods, and redistribute wealth among the poor.

Many classical Muslim scholars maintain that justice is an economic prerogative as objective of *Sharī'a*.<sup>173</sup> For instance, Abū Yūsuf believed that only through justice overall development (of society) can take place – justice causes development and increases the income. Divine favour is linked with the notion of justice and disappears with the practice of injustice.<sup>174</sup> Ibn al-Qayyim, trained as a jurist and theologian, discussed economic philosophy in Islam, riches and poverty, the prohibition of *ribā*, and market mechanisms. He maintains that “Anything contrary to justice which turns the matter from blessing and welfare into a curse and an evil, and

<sup>168</sup> Ameer Ali and Herb Thompson, “The Schumpeterian Gap and Muslim Economic Thought,” *The Journal of Interdisciplinary Economics*, Vol. 10 (1999): 31-49, accessed April 3, 2013, <http://www1.aucegypt.edu/faculty/thompson/herbtea/articles/jie3.html>. See e.g. al-Muḥāsibī, al-Ghazālī.

<sup>169</sup> Abdul Haq Ansari, “Islamic Ethics: Concepts and Prospects,” *The American Journal of Islamic Social Sciences*, Vol. 6, No. 1 (1989): 81.

<sup>170</sup> *Māl*, in Arabic “wealth” or “money,” means to acquire or possess something. See Ibn Manẓūr, *Lisān al-‘Arab*, s.v. “māl.”

<sup>171</sup> Francis E. Peters, *Allah's Commonwealth* (New York: Sifflon and Schuster, 1973).

<sup>172</sup> For the *kasb-zuhd* amalgam, see figure two in the appendix.

<sup>173</sup> Abu Ubayd al-Qasim ibn Sallam, *The Book of Revenue: Kitāb al-Amwal* (Doha: Garnet Publishing Ltd., The Center for Muslim Contribution to Civilization, 2005).

<sup>174</sup> Abū Yūsuf, *Kitāb al-Kharaj* (Cairo: Dār al-Matba‘ah al-Salafiyyah, 1972), 120 in Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 65.

from wisdom into disutility has nothing to do with the *Sharī‘a*.”<sup>175</sup> Also al-Shaybānī, who studied *fiqh* under the guidance of Abū Yūsuf, dedicated his book on earning and livelihood *Kitāb al-Kasb* to more traditional (*āthārī*) rather than legal (*fiqhī*) interpretation to the topic of economics.<sup>176</sup> Hence, his legal arguments are supported by numerous *aḥādīth* and Qur’anic verses. Even though one would think that *Kitāb al-Kasb* is a book on Islamic jurisprudence, Imam al-Sarakhsi (d. 1090) informs us that it expounds the meaning of *zuhd* as detachment from worldly endeavours, merging Islamic mysticism with *Sharī‘a* injunctions.<sup>177</sup> *Zuhd* is together with *wara‘* (prudence) the subject of al-Shaybānī’s analysis in safeguarding from corruption and in maintaining honest livelihood, which pinpoints to economic discipline imbued with spiritual qualities. For al-Shaybānī, earning a living ought to be a service to public good, by providing for one’s own needs and the needs of his family and also for the community, since only when one provides for the poor, his life becomes truly wholesome. In other words, *‘ibadāt* does not suffice to lead a full life if *mu‘amalāt* as transactional relationship is missing out.<sup>178</sup> Sales, accumulation of wealth, and value of money are hence analyzed with the parameters of piety, renunciation, and asceticism. In addition, Ibn Abī al-Dunyā produced many works on various Islamic sciences, including on the Qur’an, *ḥadīth*, and *fiqh*, predicating ethical and spiritual subjects such as *zuhd*, *adab*, and *taqwā*. Ibn Abī al-Dunyā has divided economic themes into several fields. The first part of the book concerns with licit acquisition and positive functions of wealth, acquiring money, securing a livelihood and savings, craftsmanship, ways of conducting commerce, securing high prices, land rights, handcrafts, investments, whereas the second with saving of money (*qaṣd al-māl*), foods and clothing, inheritance, surplus of money, and the notion of poverty. He has considered commerce and trading activities within the parameters of moral predicaments. His book *Iṣlāḥ al-māl* (The Emendation of Wealth) invokes numerous scholars, but also limits itself to Qur’anic passages and *ḥadīth* narrations, designating licit acquisition of wealth, favorable functions of money, and benefits of spending and saving. Close reading of his work reveals the two-fold perception of wealth – the material and the moral. *Iṣlāḥ al-māl* can be analyzed within the parameters of Sufi terminology, for it addresses spiritual reverberations of human behavior, a genre that was systematically commenced by al-Shaybānī’s *Kitāb al-Kasb*.<sup>179</sup>

<sup>175</sup> Ibn Qayyim al-Jawziyya, *Zad al-Ma‘ad* (Cairo: Matba‘ah al-Misriyah, n.d.), 15; Islahi, “Linkages and Similarities between Economics Ideas of Muslim Scholars and Scholastics,” *Wednesday Dialogue*, 2010-2011, 11.

<sup>176</sup> Al-Shaybānī, *Kitāb al-Kasb* (Ḥalab: Maktab al-Maṭbu‘āt al-Islāmiyya, 1997); Adi Setia, *The Book of Earning a Livelihood* (Kuala Lumpur: IBFIM, 2011).

<sup>177</sup> Adi Setia, “Imam Muḥammad Ibn al-Ḥasan al-Shaybānī on Earning a Livelihood: Seven Excerpts from his Kitāb al-Kasb,” *Islam & Science*, Vol. 10, No. 2 (2012): 103.

<sup>178</sup> Adi Setia, “Imam Muḥammad Ibn al-Ḥasan al-Shaybānī on Earning a Livelihood: Seven Excerpts from his Kitāb al-Kasb,” 105. See also Wael Hallaq, *The Impossible State*, 114-116.

<sup>179</sup> Adi Setia, “The Restoration of Wealth: Introducing Ibn Abī al-Dunyā’s *Iṣlāḥ al-māl*,” 82.

The cultivation of the inner most goes hand in hand with the challenges of everyday life and earning a livelihood, whereby economic certitude is extrapolated in the name of spiritual uplift.<sup>180</sup>

## 6. The Nature of Markets, Price Control, and the Notion of Fair Price

Just or fair price and price regulation were one of the main tenants of economic philosophy in Islam and later on in Scholastics. In the Middle Ages, just price became one of the main topics of Muslim thinkers who discussed economic problems under the shadow of moral law and theology. Fair price of a good is a price of that very object which is comparable to other similar objects, which was also called the price of the equivalent (*thaman al-mithl*).<sup>181</sup> Price control, authority's intervention, and fair prices also invoke economic responsibilities of the rulers, which was a recurring topic in classical period of Islam. As an imam under the aegis of the Abbasid Caliph Hārūn al-Rashīd, Abū Yūsuf's book *Kitāb al-Kharaj* is to a large extent an advice to the caliph's policies on the state's responsibility in regard to taxation, state administration, and public expenditure, and can be perceived as a text on "good governance." Abū Yūsuf states that the leader of the righteous – the Caliph himself – asked him to compile a book on land taxes, revenues and to maintain public good.<sup>182</sup> In light of imperatives of social justice, Abū Yūsuf holds that public welfare has to be preserved and thus upholds proportional involvement of the government authority in agricultural policies, instead of imposing a rent on the land. He was in favour of the idea of proportionality: "In my view the best system of taxation for generating more revenue for the treasury and the most adequate one to prevent injustice to the tax payers by tax collectors is the proportional agricultural tax."<sup>183</sup> He discusses in detail also the rules surrounding the revival of dead land, advocating the idea that one who revives it has to right to ownership and cultivation, insofar if he pays *ushr* levy or *kharaj* levy.<sup>184</sup>

On the nature of market and the price control Abū Yūsuf observed that there is no definite limit of low or high prices that can be ascertained, but rather that "it is a matter decided from heaven; the principle is unknown." The low and high levels of prices "are subject to the

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<sup>180</sup> By enumerating those (and other) scholars and their relation between mystical concepts and economic ideas, I do not intend to position Sufism or Sufi literature on pedestal, but rather to expound dynamic and nuanced correlation between mystical, theological, legal, and economic ideas for the purposes of the argument of this very thesis.

<sup>181</sup> Ibn Nujaim, *al-Ashbāh wa al-Nazā'ir* (Beirut: Dār al-Kutub al-‘Ilmiyah, 1980), 362-363.

<sup>182</sup> Abū Yūsuf, *Kitāb al-Kharaj* (Beirut: Dār al-Ma‘arifa, 1979), 3.

<sup>183</sup> Abū Yūsuf, *Kitāb al-Kharaj* (Beirut: Dār al-Ma‘arifa, 1979), 50 in Nasir Nabi, "Islamic Economic Thought in the Medieval Times: Some Reflections," *Journal of Islamic Thought and Civilization*, Vol. 3, Issue 2 (2013): 25.

<sup>184</sup> Abū Yūsuf, *Kitāb al-Kharaj*, 65.



command and decision of Allah. Sometimes food is plentiful but still very dear and sometimes it is too little but cheap.”<sup>185</sup> Although it seems that such a statement is in opposition to the belief that price does not depend solely on supply, and that it further indicates the exclusive nature of markets and their invisible self-imposition of prices, this should not be mistakenly perceived as if there is no regulatory mechanism based on the ethical premise of economic behavior.

The irregularities and deficiencies in the market were already mended by the Prophet Muhammad. After his death, Muslim jurists established mechanisms of intervention in the market from the principles laid down by the Prophet and the Rashidun Caliphs. The authoritative principles apropos fixing the price found in Islamic law are based on certain *aḥādīth*.<sup>186</sup> Though not all jurists advocated regulating prices. Imām Shāfi‘ī and Imām Ibn Ḥanbal opposed price control in the market, indicating that the governmental authority has only the right to exercise price control in case of the abundance and scarcity of commodities. Prices are to rise naturally and as such belong to the divine realm. Therefore, according to Imām Shāfi‘ī and Imām Ibn Ḥanbal, imposing a fixed price would mean injustice.<sup>187</sup> The notion of administrative fixation of price was known already in the time of the Prophet Muhammad, who also according to Islahi did not stipulate it, for he favoured the determination of price by market forces, i.e. according to supply and demand.<sup>188</sup> One of the earliest accounts of price variation came as a result of good or bad harvest, increase or decrease in the supply of agricultural goods, as stated by Ibn al-Mugaffa’.<sup>189</sup> The followers of Imām Abū Ḥanīfa and Imām Mālik have expressed the same opinion regarding price control, that it is licit if it is in the interest of the common public.<sup>190</sup> The gist of the discussion is that the authority will exercise price control if monopoly of market prices or goods occur.

Ibn Taymiyya, writing extensively on *ḥadīth*, *tafsīr*, *fiqh*, made also seminal contributions to economic thought. Ibn Taymiyya was a strong supporter of price control in case of any misuse at the market, such as if any harm or injury is foreseen to the public, e.g. forcing sellers to sell

<sup>185</sup> Abū Yūsuf in Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 28.

<sup>186</sup> See also Imam Malik’s report on Caliph Umar’s intervention in the market by dismissing a seller for selling a commodity at a lower price.

<sup>187</sup> E.g. Shamsuddīn Ibn Qudāmah al-Maqdīsī, a Hanbali jurist, argues that the authority of the state has no right to impose price control on goods in the market. This is associated with the fact that the Prophet equated price control with injustice (*zulm*). See Ibn Qudāmah al-Maqdīsī, *al-Sharh al-Kabīr* (Beirut: Dār al-Kitāb al-‘Arabī, 1972). On the contrary, for various Maliki and Hanafi jurists price control is valid.

<sup>188</sup> Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 25. This, however, is disputable since despite some *aḥādīth* indicating that prices are set by heavens and therefore left to the “invisible hand” of the market, an approach closely associated with Adam Smith (), regulatory practices such as hisba mechanism, and moral predicaments based on *Sharī‘a*’s cosmology exists. Prophet Muhammad as well as early Muslim companions and jurists aimed to demise unregulated, excessive, abuse of market and prices.

<sup>189</sup> Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 27.

<sup>190</sup> Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah* (Leicester: The Islamic Foundation, 1988), 95 ff.

price at a higher rate than normally, is grounded on the prophetic *ḥadīth* stating that only God defines price control.<sup>191</sup> However, if price control itself involves an act of justice and preventing harm, it is obligatory in order to avoid suffering of people, e.g. when merchants have monopoly over prices at the market.<sup>192</sup> In relation to common good, Ibn Taymiyya proposes economic partnership based on equal shares.<sup>193</sup> Ibn Taymiyya analyzed certain conduct under which regulated price control is licit and needed. In case if merchants are due to price control forced to sell their commodities for a different price, it is illicit. However, if price control upholds equity at the market and diminishes the misuse or monopoly of markets, then it is obligated upon traders.<sup>194</sup> “When people’s necessities cannot be safeguarded without a just price regulation, then a price regulation based on justice will be implemented.”<sup>195</sup>

Ṣaḥīḥ Muslim reports that the Prophet said that hoarding is a practice done by a sinner. A hoarder purchases goods designated as necessities in order to earn profit from it, since the prices of that good will rise. In case of such injustice (*ẓulm*), the authority has the right to depose the seller from the market. As will be evident from the analyzed texts, according to *Sharī‘a*, prices are either valid or invalid. A valid price is a price established in a market, which is stipulated by Islamic law and does not include harmful actions such as cheating, fraud, or disguise. This is perceived as a valid price, yet since justice is not entirely a juristic consideration, it is not legal but also a theological and moral concept. On the other hand, an invalid price is one that opposes *Sharī‘a* legal requirements; it can occur through a deliberate violation of legal rules, or, it may be an outcome of ignorance on a particular issue or activity.

Ibn Abī al-Dunyā holds that maintaining high prices (of goods) at market conveys parsimony, therefore a seller or buyer is permitted to withdraw from a trading agreement if obliged to do so.<sup>196</sup> The rich are encouraged to redirect the surplus of their wealth into supporting the economic, social, and by extension also spiritual conditions of the poor.<sup>197</sup> In order to maintain a reasonable price for a commodity on markets, al-Ghazālī advocates for a moderate profit rates as a form of *iḥsān*. Fairness and equity are to be expected to social standards interrelated with market forces. If spiking up prices of a commodity occurs, the authority can

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<sup>191</sup> “The market price rose in the time of the messenger of God, peace be upon him, and they said to him: Messenger of God if only you would provide price control. He replied: God is the Taker, the Disposer, the Winner and the Controller of prices.” (Abu Daūd and al-Tirmidhī in Ibn Taymiyya, *al-Hisba fī al-Islām* (Leicester: The Islamic Foundation, 1982), op. cit. 35.). Yet, this apparent opposition to price control has to be viewed also in the context when there is no social-economic turmoil in society and when market functions well.

<sup>192</sup> Ibn Taymiyya, *Al-Hisba fī al-Islām*, 36.

<sup>193</sup> Ibn Taymiyya, *Al-Hisba*, 40.

<sup>194</sup> Ibn Taymiyya, *Al-Hisba*, 15.

<sup>195</sup> Ibn Taymiyya, *Al-Hisba*, 37.

<sup>196</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl* (Beirut: Mu’assasa al-Kutub al-Thaqāfiyya, 1993).

<sup>197</sup> Adi Setia, “The Restoration of Wealth: Introducing Ibn Abī al-Dunyā’s *Iṣlāḥ al-māl*,” 78.

interfere in order to secure a just and equity-based distribution. Legitimate profits ought not to be obtained from goods regarded as necessities,<sup>198</sup> due to the human inclination to accumulate wealth.<sup>199</sup>

He distinguishes between two types of prices, the unjust and prohibited prices, and prices that are just and desired. The so-called “price of the equivalent” is regarded as the just price.<sup>200</sup> Also the notion of just or fair compensation (*iwaḍ al-mithl*) occurs in cases when one is responsible for causing injury to others’ lives (*nufūs*), property (*amwāl*), or profit (*manāfi*), when one has to pay reimbursement for caused injury (*ba‘ḍ al-nufūs*), and when one has to arrange valid or invalid contracts (*al-‘uqūd al-ṣaḥiḥah*) in relation to lives and property.<sup>201</sup> Ibn Taymiyya addressed the moral and legal versus more economic aspects of fair price, by using the terms “compensation of the equivalent” for the former, and “price of the equivalent” for the latter: “Often it becomes ambiguous with experts in jurisprudence, and they argue against each other about the nature of the compensation of the equivalent – its kind (*jins*) and quantity (*miqdār*).”<sup>202</sup> In relation to purchases and commodities, he states: “If people are dealing with their goods as is it in their habit without any injustice and if the price rises either due to shortage of goods or due to increase in population, then it is sent by God. Then, to force the sellers to sell their goods at a particular price is a wrongful coercion (*ikrāh bi ghayr ḥaqq*).”<sup>203</sup> Ibn Taymiyya confirmed profit and the seller’s appropriation of it, by stipulating that the sellers can gain profit in what is “the commonly known manner accepted manner (*al-ribḥ al-ma‘rūf*)”<sup>204</sup> without endangering their own interest or the interest of the consumers. From this, it stems that the fair or just profit is a profit obtained without exploiting the price, setting an abnormal rate of profit, or causing harm to others. “A person who acquired goods to earn income and to trade with them at a later date is permitted to do so but he is not allowed to charge from a needy person (*muḥtāj*) a higher profit than the customary one (*al-ribḥ al-mu‘atād*), and he ought not to increase the price for him due to his need (*ḍarūrah*).”<sup>205</sup> One of the main objectives of the just price is to maintain justice on the market, between sellers and buyers, as active members in society, in addition to the fact that writings on just price turned out to be useful also for authorities. Justice meant that goods are not

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<sup>198</sup> Al-Ghazālī, *Iḥyā’*, Vol. 2, 73.

<sup>199</sup> Al-Ghazālī, *Iḥyā’*, Vol. 2, 280.

<sup>200</sup> Ibn Taymiyya, *Al-Ḥisba*, 24.

<sup>201</sup> Ibn Taymiyya, *Majmū‘ Fatāwā Shaykh al-Islām*, 1963, Vol. 29, 520 in Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah*, Leicester: The Islamic Foundation, 1988, 81.

<sup>202</sup> Ibn Taymiyya, *Majmū‘ Fatāwā Shaykh al-Islām*, 522 in Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah*, 82.

<sup>203</sup> Ibn Taymiyya, *Al-Ḥisba*, 25.

<sup>204</sup> Ibn Taymiyya, *Al-Ḥisba*, 37.

<sup>205</sup> Ibn Taymiyya, *Majmū‘ Fatāwā Shaykh al-Islām*, Vol. 29, 501 in Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah*, 86.

sold at abnormal price or sellers coerced into illicit contracts, whilst injustice is equivalent with oppression (*zulm*).<sup>206</sup> The only time a seller can be coerced into a contract is when he has to sell his good at the price of the equivalent in order to protect the interests of other sellers,<sup>207</sup> whereas also buyer on the other hand should buy a good at the price of the equivalent.

## 7. The Value of Wealth (*māl*) and the Hereafter

Money, wealth, including property, or *māl* in Arabic bears certain benefits as well as risks for an individual, and it can thus be rendered as a benefit as well as a detriment, depending on one's intentions (*niyya*).<sup>208</sup>

It is believed that al-Shaybānī was the first scholar who treated the subject of earning as its own topic, in relation to reliance on God, lawful and unlawful means of earnings. Al-Shaybānī's methodology is based on the Qur'an, *ḥadīth* literature and prophet's companions, as well as comprised of his own views on the subject, addressing the notion of *al-kasb* within economic-material, legal-jurisprudential, and spiritual-moral frame.<sup>209</sup> The main theme of his book is the concept of earning in light of religious obligation, which is however among other levels, expounded by espousing material abstinence and acts of charity indicating that earning as a religious duty (law) ought to be seen within theological and moral context.

### 7.1. *Kasb, Faqr, and Zuhd*

According to al-Shaybānī, *al-kasb* (earning a livelihood) is acquiring wealth by legal means (*taḥṣīlu al-māl bimā yaḥḥillu min al-asbāb*).<sup>210</sup> Al-Shaybānī states that earning (*makāsib*) a living (in a licit way) corresponds to expression of one's faith: "Permissible earning is in the category of cooperation in acts of devotion and obedience."<sup>211</sup> Earning can be divided into several levels. The first is indispensable for everyone, enables one to perform his obligatory duties, to replay one's debt, and to provide for basic needs for one's family. Temperance (*muta'affifan*) is prompted in

<sup>206</sup> Ibn Taymiyya, *Al-Ḥisba*, 41-42.

<sup>207</sup> Ibn Taymiyya, *Al-Ḥisba*, 190.

<sup>208</sup> *Fainnahu yanfa'u min wajhi wa yadru min wajhi*. Al-Ghazālī, *Mizān al-'Amal* (Cairo: Dār al-Ma'arif, 1964), 372.

<sup>209</sup> Mustafa Omar Mohammed, "Economic Consumption Model Revisited: *Infaq* Based on *Al-Shaybani's* Levels of *Al-Kasb*," *International Journal of Economics, Management and Accounting*, Issue 19 (2011): 120.

<sup>210</sup> According to al-Shaybānī, *al-kasb* can be obligatory (*fard al-'ayn*), recommended (*mandūb*), or permissible (*mubāḥ*). Al-Shaybānī, *Kitāb al-Kasb* (Ḥalab: Maktab al-Maṭbu'āt al-Islāmiyya, 1997), 70.

<sup>211</sup> Al-Shaybānī, *Kitāb al-Kasb*, 164.

the sight of God,<sup>212</sup> as well as abstaining from amassing wealth,<sup>213</sup> since it is associated with danger of committing unvirtuous deeds. Earning a living presupposes cooperating with others and is thus perceived as an economic behaviour that pertains not only to economic and material preservation, but primarily to spiritual purification (*tahāra*) and moral responsibility.<sup>214</sup> Earning a living is permissible according to the majority of *fuqahā'*, yet some Sufis and ascetics (*al-mutaqashshifa*) maintained that some types of earnings are regarded as lowly (*al-danā'a*) in the habits of people, unless one is in a need of necessary provision.<sup>215</sup> *Al-Kasb* is perceived as a necessary endeavour,<sup>216</sup> and one who refrains from it can be considered as sinful, for it pertains to providing for one's basic needs such as food, clothing, and shelter, which in turn can facilitate religious duty and spiritual uplift, e.g. prayer. Since also society at large can benefit from one's *al-kasb* (produce), it is considered beneficial. This, however, does not mean that *al-kasb* is a religious obligation *per se*, otherwise one would be invited to perform it incessantly. The first level of *al-kasb* encompasses basic needs such as food, clothing, shelter, following the *ḥadīth* of the prophet.<sup>217</sup> Acquiring earnings to repay debt is also obligatory, as well as providing for one's family and food supplies.<sup>218</sup> It is recommended to provide provisions for relatives and family members, guests, and companions, and accumulating wealth is permissible only with the aim to preserve dignity and moral stamina. It is clear that by stating *fiqh* maxims such as that whatever are the means to facilitate *wājib* is itself *wājib*,<sup>219</sup> al-Shaybānī gives precedence to spiritual and moral uplift over jurisprudential decrees. Giving purchases a moral note, al-Shaybānī reckons preserving wealth as a sacrifice for future generations. By incurring acquisition against poverty he advocates a stance against the accumulation of wealth beyond one's needs. Those who opposed acquisition of wealth are in al-Shaybānī's view so called ignorant and foolish Sufis: "*qawm min juhhal ahl al-taqashshuf wa hamaqa ahl al-taṣawwuf*."<sup>220</sup> In their view, gaining

<sup>212</sup> According to the prophetic *ḥadīth* narrated by Abū Nu'aym, see al-Shaybānī, *Kitāb al-Kasb*, 131.

<sup>213</sup> Also this virtue is based on *ḥadīth* expounding the dangers of wealth: "Perished be wealth!" and "Perished be the owner of gold and silver!," narrated by Imam Aḥmad, 134. See also *ḥadīth* "Those who accumulate are destroyed except he who says 'so and so'," narrated by al-Tirmidhī, Ibn Mājah, and Aḥmad, indicates that those who spend on charity are except from punishment. See Shaybānī, *Kitāb al-Kasb*, 135.

<sup>214</sup> Al-Shaybānī, *Kitāb al-Kasb*, 136.

<sup>215</sup> Adi Setia, "Imam Muḥammad Ibn al-Ḥasan al-Shaybānī on Earning a Livelihood: Seven Excerpts from his Kitāb al-Kasb," *Islam & Science*, Vol. 10, No. 2 (2012): 112. This presupposition is also based on *ḥadīth*, although there is no direct correlation between the nature of lowly earnings and the prohibition thereof. "Indeed, God the most Exalted likes noble things, and He dislikes inferior ones (*saḥāhā*)," al-Shaybānī, *Kitāb al-Kasb*, 137.

<sup>216</sup> "*Ṭalaba al-kasb farīda 'ala kulli muslim kama ṭalaba al-'ilm farīda*." Al-Shaybānī, *Kitāb al-Kasb*, 71.

<sup>217</sup> Al-Shaybānī, *Kitāb al-Kasb*, 36.

<sup>218</sup> Qur'an, sura *al-Talaq*, verse 6.

<sup>219</sup> Al-Shaybānī, *Al-Iqtisab al-Rizq Musta'ib* (Beirut: Dār al-Bashīr al-Islamiyyah, 1997), 99.

<sup>220</sup> Al-Shaybānī, *Kitāb al-Kasb*, 81, 99, 101. For Michael Bonner, one of the main arguments of al-Shaybānī adversaries is the Qur'anic vers "your sustenance and what you have been promised is in the heavens" (Qur'an, 51:22). Yet, to oppose this view, one does not need to look beyond the numerous passages from the Qur'an

wealth is illicit since it corrupts the heart and diminishes reliance on God (*tawakkul*), and acquisition of wealth is permitted only when in dire need.

Hoarding wealth is illicit, yet being wealthy presents a moral liability to other members of society. According to al-Shaybānī, the notion of *al-kasb* is intrinsic to relying on God,<sup>221</sup> and it condemns “wastefulness, extravagance, haughtiness, boastfulness, and competitive accumulation (*al-israf wa al-saraf wa al-makhila wa al-tafakhur wa al-takathur*).”<sup>222</sup> Since wasting food pertains to material and spiritual extravagance, al-Shaybānī holds that it is forbidden to waste food and that man’s economic behaviour should navigate between extravagance and miserliness. Stocking up food is permissible only in certain cases for which acceptable justification exists, otherwise one’s own supplies become the right of someone else.<sup>223</sup> Similar approach is applied to clothing. The necessity of *al-kasb* pertain also to the right as *al-haqq* to the less fortunate; if one is incapable of providing (food) for himself, others (society and governmental authority) are responsible to provide for him, and alms are given out of surplus and not out of one’s basic provision. In such cases, those who are not capable of providing for themselves are permitted to beg.<sup>224</sup> When one has achieved enough for oneself and one’s family (*ghinā*; nowadays *ghanī*, unlike in premodern *fiqh*, designates someone who is in a possession of wealth or a rich person), the attribute of poverty (*sifat al-faqr*), as a moral faculty, is regarded higher than quality of wealth: “If only people would be content with what suffices for them, and direct their attention to [their] surplus wealth, and direct [this surplus wealth] toward the matter of their eternal life, it would be better for them,”<sup>225</sup> for “no one is called to account for poverty.”<sup>226</sup>

If wealth is something that fluctuates and something that is owned by a person or community that is useful,<sup>227</sup> money can be designated as that what is beneficial. Earning a

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prompting economic provision, as well as Prophet Muhammad’s narrations, and early caliphs’ endeavours on commerce and money. One of the Qur’anic verses that advocates *al-kasb* is: “Spend out [i.e. give charity and provide for your family] of the good things you have earned” (Qur’an, 2:267).

<sup>221</sup> Al-Shaybānī, *Kitāb al-Kasb*, 83, 93.

<sup>222</sup> Michael Bonner, “The Kitāb al-Kasb attributed to al-Shaybani: Poverty, Surplus, and the Circulation of Wealth,” *Journal of the American Oriental Society*, Vol. 121, Issue 3 (2011): 418; al-Shaybānī, *Kitāb al-Kasb* (Ḥalab: Maktab al-Maṭbu‘āt al-Islāmiyya).

<sup>223</sup> One who can afford is obliged to spend on food for the poor (page 165), not to lavishly spend on food for himself (page 168), has to feed the poor (page 186), protect those in need who are not able to work (page 190), for giving is better than receiving (page 194). A believer ought to provide for his family and relatives (page 203), since he will be asked about his expenditures (page 204). *Al-ziyada ‘ala miqdar hajatihi kanat haqq ghayriha*. See al-Shaybānī, *Kitāb al-Kasb* (Ḥalab: Maktab al-Maṭbu‘āt al-Islāmiyya, 1997).

<sup>224</sup> Al-Shaybānī, *Kitāb al-Kasb*, 165.

<sup>225</sup> Michael Bonner, “The Kitāb al-Kasb attributed to al-Shaybānī: Poverty, Surplus, and the Circulation of Wealth,” 416.

<sup>226</sup> Poverty is sounder since no poor man was ever guilty of the arrogance of the rich. Al-Shaybānī, *Kitāb al-Kasb*, 106, 116.

<sup>227</sup> Sa‘dī Abū Jayb, *Al-Qāmūs al-Fiqhī* (Damascus: Dār al-Fikr, 1982), 344.

livelihood by ethical means translates into providing also for others, which is a form of *jihād*.<sup>228</sup> Another important scholar who also wrote on abstinence, sustenance, and poverty from the perspective of retrieval from the mundane is al-Muḥāsibī, who thoroughly believed that the self needs constant examination and observation. He mastered dialectical theology, jurisprudence, and exegesis, and incorporated views on *taṣawwuf*, and lived according to what he preached.<sup>229</sup> With his thought on Sufism, spiritual values, repentance (*tawba*), trust in God (*taqwā*), sincerity (*ikhhlāṣ*), and other concepts, al-Muḥāsibī influenced many prolific scholars of his time, including al-Ghazālī. Al-Muḥāsibī's book *al-Makāsib wa al-Wara'* elucidates human behaviours and mannerisms in relation to the spiritual world (the inward) in which people acquire wealth (the outward) and take care of daily obligations, by addressing the notions of scrupulousness (*wara'*), abstinence (*zuhd*), reliance on the theological realm (*tawakkul*), introspection (*muḥāsaba*) in conjunction with legal and financial transactions (*mu'āmalāt*). By integrating theology, philosophy, mysticism, and economic ideas, he invokes the idea of working for a living also as a spiritual means for provision. One has to engage in praiseworthy economic activities by performing mindfulness, vigilance, remembrance (*dhikr*), dedication and closeness (*al-taqarrub*), and the purification of the heart (*ṭahārat al-qulūb*) in concordance with the moral premise of *Sharī'a*.<sup>230</sup> Enacting those ethical dispositions enables one to avoid potential harms and vices, for benefits of any economic endeavour should outweigh possible harm and costs. In his view, man must rely on sustenance (*rizq*) solely on God,<sup>231</sup> while love for accumulation of wealth is due to man's doubt.<sup>232</sup> Al-Muḥāsibī articulates those concerns not strictly in economic terms, but rather in relation to virtuous behaviour and the means of acquisition of wealth, displaying value for a spiritual-moral economy.

Ibn Abī al-Dunyā in the introduction invokes *ḥadīth* narrated by Abu Bakr stating that one who acquires (*ya'khudh*) wealth in a righteous way/not more than he is entitled to (*bi haqq*), his money will be blessed, whilst one who acquires wealth in an unjust way (*bi ghayr haqq*) will always be complacent.<sup>233</sup> Also based on *ḥadīth* narration is the idea that if wealth gained in an illicit way remains with the person who acquired it, he will not be blessed but punished.<sup>234</sup> In

<sup>228</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 73.

<sup>229</sup> Even his name and appellation Muḥāsibī points to one who examines his consciousness, and purifies his soul of vice. See Adi Setia, "Al-Muḥāsibī: On Scrupulousness and the Pursuit of Livelihoods: Two Excerpts from His *al-Makāsib wa al-Wara'*," *Islamic Sciences*, Vol. 14, No. 1 (2016): 69.

<sup>230</sup> For the English translation see Adi Setia, *Kitāb al-Makāsib (The Book of Earnings) by al-Hārith al-Muḥāsibī (751-857 C.E.)* (Kuala Lumpur: IBFIM, 2016).

<sup>231</sup> Al-Muḥāsibī, *al-Makāsib wa al-Wara'* (Beirut: Mu'assasa al-Kutub al-Thaqāfiyya, 1987), 42.

<sup>232</sup> Al-Muḥāsibī, *al-Makāsib wa al-Wara'*, 45.

<sup>233</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl* (Beirut: Mu'assasa al-Kutub al-Thaqāfiyya, 1993), 13.

<sup>234</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 18.

relation to the temptation and wasting money (*iḍāʿat al-māl*), Ibn Abī al-Dunyā quotes *ḥadīth* stating that “every *umma* has its *fīṭna* (tribulation), and the *fīṭna* of Muslims is wealth.”<sup>235</sup> His second chapter addresses the beneficial functions of money or wealth, which is interrelated with honor (*ḥasab al-māl*) and exemplified through generosity as fear of God.<sup>236</sup> Hence, one who indulges into solitary and asceticism is denounced, for he neglects the mundane realm. Likewise, forsaking the afterlife due to worldly pleasures is also repudiated, that is why retaining faith for the hereafter and wealth for this world is highly encouraged.<sup>237</sup> Further, those who obtain money ought to consider giving charity<sup>238</sup> and utilize it as a means to attain God’s bounties.<sup>239</sup> On the other hand, saving money (*qaṣd al-māl*) is a virtue, since the intention is to provide for others.<sup>240</sup> In light of the moral integrity, Ibn Abī al-Dunyā holds that those who spend (*sarf*) will not value money less, but will try to distribute it based on equity. Yet, those who spend on unnecessary matters (*al-infāq fī ghayr haqq*), have to be wary of their economic behavior.<sup>241</sup> Both wealth and poverty can become tribulations; the adversity of the first is in its insatiate appetite, whilst the woe of the second in its discontentment with one’s status and can lead into further distress.

Abū Naṣr al-Sarrāj al-Tūsi (d. 988), one of the earliest authors of *taṣawwuf*, in the *Kitāb al-lumaʿ*, introduces seven *maqāmāt* that play also into economic matters. They include *tawbah* (repentance), which begins with the light of Divine Recognition in *qalb* (heart) that realizes sin as antithetical to spiritual uplift, and strives for spiritual purity, which requires also the faculties of *muḥāsabah* (self-examination) and *murāqabah* (introversion or meditation). The second is *warāʿ* (abstention), which translates into pious self-reflection and self-restraint. The third is *zuhd* (asceticism) in that it renounces the worldly endeavours to the level of necessities. The fourth is *faqr* (poverty) in spiritual and material sense, as the denial of the self, in order to dedicate oneself to the spiritual and communal obligations. The fifth is *ṣabr* (patience) whose characteristic is essential for spiritual endurance. The sixth is *tawakkul* (trust or confidence in God), as to devote oneself exclusively to the higher order, encompassing *maʿrifa* and *ʿamal*. The seventh and final is *riḍāʿ* (pure contentment) as submission to *qaḍā* (fate).<sup>242</sup>

<sup>235</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 18. See also al-Qurʾan sura *al-Nahl*, vers 97 on the notion of righteous or licit acquisitions (*kasb al-ṭayyib*).

<sup>236</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 33.

<sup>237</sup> Narrated by the famous poet of the time Muḥammad bin al-Khudhr bin al-Walīd via Khālīd bin Safwān. Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 41.

<sup>238</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 33.

<sup>239</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 46, 48.

<sup>240</sup> See Qurʾan, sura *al-Furqān*, vers 67.

<sup>241</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 100.

<sup>242</sup> Abū Naṣr al-Sarrāj al-Tūsi, *Kitāb al-Lumaʿ fī al-Taṣawwuf*, ed. Reynold Alleyne Nicholson (Leyden: Brill, 1914), 43-52.



Imam al-Ghazālī is considered one of the forerunners of Islamic economics who discussed in detail the role of money in the realm of religion of Islam, *tasawwuf*, and Islamic jurisprudence. Also al-Ghazālī's approach to economic affairs extrapolates ethical cosmology or *Sharī'a* or "mystical *Sharīsm*." Al-Ghazālī did not produce a specific book dedicated to economics, nor a book on jurisprudence that would deal with the same subject, but like other classical scholars, his writing on economics can be found in his various texts, dealing with *zakāt*, ethics, the role of the state. He discussed economic matter in Volume 2, Book 3 of *Iḥyā'*, encompassing the nature of work and means of earning a living; licit means of earning concerning commerce and trade; justice, equity and fairness in gaining livelihood, e.g. counterfeiting, hoarding, over-praising good etc.; and benevolence in trading.<sup>243</sup> Al-Ghazālī's philosophical theology of economics presents one component of the revival of Islamic sciences, whose ultimate aim is the alchemy of happiness extended to all human endeavours, based on the notions of justice, religion, and the Hereafter. The gist of his ideas on economics are to be found in *Iḥyā' 'Ulūm al-Dīn*, and his contribution to economic thought can be divided into four topics,<sup>244</sup> covering a various activities: voluntary exchange and evolution of markets; production activities, their hierarchy and stages; barter system and the evolution of money; role of the state and public finances.

As I have discussed elsewhere,<sup>245</sup> al-Ghazālī divides society into three different groups in regard to material gain: those who neglect the hereafter and are occupied with worldly endeavours will perish; those whose aim in this life is the return to the hereafter at the expense of the mundane are to succeed; and those who are engaged in the worldly (read economic) affairs and adhere to *Sharī'a* will reach final salvation.<sup>246</sup> One can engage in economic activities by making a livelihood or by investing in one's wealth in order to increase it. Engagements pertaining to *maṣlaḥa* are praiseworthy objectives. He maintains that during commerce religious stipulations should not be neglected: "no one should forget his religion and the Hereafter during the course of one's trade and earning a livelihood," for if he does he will perish in the afterlife. One's true capital is hence one's religion and matters pertaining to the Hereafter.<sup>247</sup> Since al-Ghazālī positions economic activity within the parameters of a spiritual worldview, the hereafter

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<sup>243</sup> On the rules of earnings, trade and commerce, lawful and unlawful issues, rules of companionship and brotherhood and rules of enjoining good and forbidding evil see al-Ghazālī, *Iḥyā'*, Vol. 2.

<sup>244</sup> Mohammad Ghazanfar, Abdul Azim Islahi, *Economic Thought of Al Ghazali*, 17.

<sup>245</sup> The following paragraphs on al-Ghazālī pertain to the ideas expressed in my Research MA thesis. For a detailed account on al-Ghazālī's economic philosophy, see Sami Al-Daghistani, "Imam al-Ghazali's Perspectives on Economy, Ethics, and State in Islam" (ResMA thesis, Leiden University, 2013). See also Sami Al-Daghistani, "Al-Ghazali and the Intellectual History of Islamic Economics," *ZIT Jahrbuch für Islamische Theologie und Religionspädagogik: Islamische Gelehrten neu gelesen*, WWU Münster, Band 3, 2014.

<sup>246</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 62.

<sup>247</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 62.

is seen as the ultimate goal. The middle path of al-Ghazālī's economic philosophy pins down a systematic, yet intuitively-moral approach of one's contribution in the economic life of the *dunyā*, as well as one's own salvation, which is ultimately achieved in the afterlife. Righteous economic engagement might be a prerequisite for the latter, for earning is not an aim on its own.<sup>248</sup>

He criticized those who believe that economic activities are related only to the substance of survival or living.<sup>249</sup> Al-Ghazālī has emphasized that money or wealth (*māl*) "is not a desire for its own sake,"<sup>250</sup> but it was invented only as a medium of exchange, since gold ought to be due to outstanding qualities and high value, a common source for transactions. Therefore *fulūs* (cheap copper coins) are not to be mixed with silver and gold *dinars* and *dirhams*, for "circulation of one bad dirham is worse than stealing a thousand dirhams, for the act of stealing is one sin and it finishes once committed but circulating bad money is bad 'innovation' which affects many who use it in transactions."<sup>251</sup> Since counterfeiting is penalized because it can affect the market rates, one should avoid selling broken coins and metals as dirhams or dinars.<sup>252</sup>

The level of consumption thus has to range between necessity and extravagance.<sup>253</sup> Whilst necessity has to be fulfilled by the consumer, for it is perceived as a religious obligation, extravagance is forbidden (*ḥarām*). All economic activities extend to basic human needs – food, clothing and shelter<sup>254</sup> – which are in accordance with *Sharī'a* in order to improve one's social status. In *Mizān al-'amal*, al-Ghazālī mentions three levels of consumption: the lowest, the middle and the highest,<sup>255</sup> corresponding to necessity, convenience or luxury. Since acquiring wealth is intrinsic to man, "Human being loves to accumulate wealth and increase his possessions of all kind of property....,"<sup>256</sup> due to the illusion that wealth is everlasting. This is the reason why goods ought not to be praised.<sup>257</sup> Money has been created for a particular purpose in order to fulfil human needs. On the other hand, miserliness means excessive restriction on expenditure, whilst extravagance excessive expenditure of money. Utilization of wealth must therefore be seen in accordance with Islamic jurisprudence, which is for al-Ghazālī embedded in the moral

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<sup>248</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 108.

<sup>249</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 108.

<sup>250</sup> Al-Ghazālī, *Iḥyā'*, Vol. 4, 114-115.

<sup>251</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 73-74; Ghazanfar, Islahi, *Economics of al-Ghazali*, 30.

<sup>252</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 68.

<sup>253</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 1.

<sup>254</sup> Al-Ghazālī, *Mizān al-'amal* (Cairo: Dār al-Ma'ārif, 1964), 377.

<sup>255</sup> Al-Ghazālī, *Mizān al-'amal*, 377.

<sup>256</sup> Al-Ghazālī, *Iḥyā'*, Vol. 3, 290 in Ghazanfar, Islahi, *Economic Thought of Al-Ghazali*, 11.

<sup>257</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 74,

cosmology of *Sharī'a*, in order to facilitate spending on lawful products in a righteous way. Yet, the ultimate aim is the remembrance and contemplation about the Hereafter.

Despite the fact that poverty countervails morally designed society,<sup>258</sup> the lust for money contravenes a righteous character. For al-Ghazālī, *māl* is one of the five necessities (*al-daruriyāt*) that *Sharī'a* provides for safeguarding righteous conduct against any temptation (*fitna*), and no human being can survive without it.<sup>259</sup> To underpin the importance of the correct utilization of wealth, al-Ghazālī cites many Qur'anic verses (62:9; 64:14; 96:6-7) and *ḥadīth*<sup>260</sup> that state that wealth should not be praised. Miserliness is condemned, for it leads to tyranny if not handled correctly; that is why spiritual predispositions or intentions (*niyya*) in the usage of wealth are a preconditioned. In order to distinguish the importance of *māl* from its sinful implications if utilized under certain conditions and manners, al-Ghazālī aims to provide a description of *māl* according to its social function, concerning the ethical teachings of Islamic tradition as well. *Māl* includes spiritual, bodily and external benefits, nonetheless it is only a means and not an end of human endeavour in carrying out economic conduct: “wealth is the biggest temptation of them all,”<sup>261</sup> and since extravagance in spending is undesirable, excessive expenditures also ought to be avoided. Extravagance means when money is spent “where it is not needed, at the time when it is not needed, and in the amount it is not needed.”<sup>262</sup> One of al-Ghazālī's most pertinent observations of *māl* is his analysis of human behaviour toward it. *Māl* is praiseworthy only if exercising righteous objectives (*maqsūd*), and is thus divided into two categories – benefits of money related to the mundane and ones related to the higher metaphysical objectives. Religious or metaphysical benefits are further subcategorized<sup>263</sup> as money that one can spend for the realization of religious endeavours as well as for other necessities that enable the performance of the first ones, e.g. pilgrimage to *hajj*, but also food, shelter and clothing. In other words, “whatever is necessary for the accomplishment of a *wājib* (obligatory).”

In *Kimiyā*, al-Ghazālī lays down that gaining profit is licit but not at any cost; trading with illicit goods is also illicit, whilst one can trade only with what one owns.<sup>264</sup> Since possessing wealth facilitates the enjoyment of illicit pleasures, the more one has the more one might be prone to spending. Al-Ghazālī constantly draws attention to the fact that money does not possess an intrinsic value of its own, but its value is depended upon trade and exchange of

<sup>258</sup> Poverty has to be abrogated in Islam, yet, it is seen as a spiritual component over riches. Al-Ghazālī, *Iḥyā'*, Vol. 3, 264-265.

<sup>259</sup> Al-Ghazālī, *Iḥyā'*, Vol. 3, 231.

<sup>260</sup> Al-Ghazālī, *Iḥyā'*, Vol. 3, 232.

<sup>261</sup> Al-Ghazālī, *Iḥyā'*, Vol. 3, 234.

<sup>262</sup> Al-Ghazālī, *Mizān al-'amal*, 284.

<sup>263</sup> Al-Ghazālī, *Iḥyā'*, Vol. 3, 235-236.

<sup>264</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2; Al-Ghazālī, *Kimiyā*, 474.

commodities.<sup>265</sup> Value is inextricably related to commodities and labour, as a means to achieve higher ends.<sup>266</sup> “Creation of dirhams and dinars is one of the bounties of Allah. The entire world of economic activities is based on transactions with these two kinds of money. They are two metals, with no benefits in themselves. However, people need them, in order to exchange them for different things – food, clothing, and other goods. Sometimes a person needs what he does not own and he owns what he does not need.”<sup>267</sup>

As such trading in gold for gold and silver for silver for the purpose of making money is condemned, whilst selling gold for silver or vice versa is a licit economic transaction.<sup>268</sup> This means that money should not be spent in order to gain more money, but rather to promote mutual cooperation between parties. Unjust person or merchant is thus the one who spends more than needed and/or hoards money, while others are in a need of money for religious (spiritual) purposes.<sup>269</sup>

Anyone who uses money contrary to its objectives or functions is ungrateful to the bounty of Allah. If someone hoards dirhams and dinars, he is a transgressor... They are created to circulate from hand to hand, to govern and facilitate transactions. They are symbols to know the value and grades of goods. Anyone who converts them into utensils of gold and silver is ungrateful to his Creator ... Prophet (peace be upon him) said, one who drinks in gold and silver utensils, he is like one who takes the fire of hell in his stomach.<sup>270</sup>

On the other hand, al-Dimashqī who was a Shafī‘ī jurist and a businessman, stipulates accumulation of wealth, yet by regulating the means.<sup>271</sup> *Māl* as wealth or money<sup>272</sup> can be gained or inherited, and it is divided into four categories: coins as so called “quiet wealth” (*al-ṣāmit*);<sup>273</sup> gifts, including clothing, jewelry, copper, and anything made out of it (*al-i‘rāḍ*);<sup>274</sup> property (*al-‘aqār*);<sup>275</sup> and animals as “talking wealth” (*al-ḥaywān*).<sup>276</sup> Human needs are divided into two

<sup>265</sup> This can be observed centuries later also in writings by Karl Marx and Fridrich Engels.

<sup>266</sup> Ashqar & Wilson, *Islamic Economics: A short History*, 248. Money should not be spent for its own sake. Al-Ghazālī, *Ihyā’*, Vol. 3, 278.

<sup>267</sup> Al-Ghazālī, *Ihyā’*, Vol. 4, 91; Ghazanfar, Islahi, *Economic Thought of al-Ghazali*, 27.

<sup>268</sup> Ashqar & Wilson, *Islamic Economics: A short History*, 248.

<sup>269</sup> Al-Ghazālī, *Ihyā’*, Vol. 4, 95.

<sup>270</sup> Al-Ghazālī, *Ihyā’*, Vol. 4, 91-92; Ghazanfar, Islahi, *Economic Thought of al-Ghazali*, 29.

<sup>271</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra* (Cairo: Maktabah al-Kulliyyat al-Azhariyyah, 1977), 54, 80-82.

<sup>272</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 17-19.

<sup>273</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 22-26.

<sup>274</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 26-35.

<sup>275</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 53-56.

<sup>276</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 56-57.

categories, basic necessities such as foods, clothing, and shelter and side necessities such as armaments and medicine. Al-Dimashqī claims that all wealth is beneficial,<sup>277</sup> yet it depends on time, space, and other characteristics, and should not be acquired as a means to deprive others.<sup>278</sup> Despite his support of wealth, he advocated a communal life due to cooperation between industries and a stable price at the market, and opposed counterfeiting of coins. Accordingly, one can gain wealth either by intent or by chance, while a good merchant pursues a health measure of benefit and profit and possesses virtues such as honesty, fairness, and does not engage in fraudulent behavior. Likewise, when purchasing one has to avoid neglecting family relations, lust, overindulgence, boasting, and disproportional division of his religious and social tasks.

Ibn Taymiyya states that prices (*athmān*, sing. *thaman*) “are meant to be a measurement of objects of value (*mi’yār al-amwāl*), through which the quantities of objects of value (*maqādir al-amwāl*) are known; and they are never meant to be consumed.”<sup>279</sup> This indicates that the primary function of money is to measure value of goods and as a tool or medium of exchange. If goods are to be exchanged for money, the transactions have to be simultaneous. He also expressed concerns about the debasement of the currency under the Mamluk reign, stating that the authority should mint coins (*fulūs*) according to the value of people’s transactions, avoiding any possible harm or injustice. Coins should be mint according to real value without the motive of profit, for “trading in money means opening a great door of injustice for the people and of devouring their wealth by false pretences”<sup>280</sup> His disciple Ibn al-Qayyim also holds that “money and coins are not meant for themselves but they are to be used for purchasing goods,”<sup>281</sup> indicating that *fulūs* can be used only in order to exchange goods between people.

The idea that wealth has a complex nature, pertaining both to benefit and detriment held also Ibn Qayyim al-Jawziyya, affirming that wealth is not meant only for pleasure. One of the main objectives of *Sharī‘a* was for him as for many others scholars the conception of justice (*‘adl*). As an adherent to of religious laws he believed that man’s piety is interrelated with one’s wealth, as well as that man should fulfil his social obligations by providing for others. In spite of the fact that wealth enables one to expand social and moral duties to other members of society, it is poverty and *zuhd*, as a means of purification from lusty endeavours that are perceived as the most exalted. In his most developed spiritual treatises, Ibn al-Qayyim al-Jawziyya insists that *zuhd*

<sup>277</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 69.

<sup>278</sup> Al-Dimashqī, *al-Ishāra ilā Maḥāsini al-Tijāra*, 69, 85.

<sup>279</sup> Ibn Taymiyya, *Majmu‘ Fatāwā Shaykh al-Islām Ahmad Ibn Taymiyya* (Al-Riyad: Matabi‘ al-Riyad, 1963, Vol. 29), 472 in Islahi, *Economic Concepts of Ibn Taymiyyah*, 140.

<sup>280</sup> Ibn Taymiyya, *Majmu‘ Fatāwā Shaykh al-Islām Ahmad Ibn Taymiyya*, 469 in Islahi, *Economic Concepts of Ibn Taymiyyah*, 140.

<sup>281</sup> Ibn al-Qayyim, *I‘lām al-Muwaqqi‘īn* (Cairo: Maktaba al-Sa‘āda, 1955), Vol. 2, 137.

does not mean the wholesale rejection of worldly endeavours, since even the most pious one possesses some sort of property. *Zuhd* is rather an approach, an attitude through which one purifies worldly excesses and lusts for them.<sup>282</sup>

## 7.2. *Zakāt* as Charity and *Ribā* as an Ill Use of Money

*Zakāt* and *ribā* are not only legal or ritualistic in nature, but have throughout Islamic history maintained spiritual status of cleansing one's wealth. The dualistic moral-social value of *zakāt* has been one of the most important mechanisms of social justice in Islamic tradition.<sup>283</sup>

The prohibition of *ribā* is well known in economic history, and many scholars have forbidden it when carrying out trade activities. Exchange of goods is a necessary endeavour for any society, religious or secular. *Ribā* (usury or excessive usurious practice) can be looked upon as a specific loan allocation, however, such a view indicates that money has value on its own. And since money indicates the value of one's labour or traded commodity, money cannot be the measure of value.

In *Ihyā' 'Ulūm al-Dīn*, al-Ghazālī does not tackle *ribā* in loans directly, but discusses the non-monetary transactions. Al-Ghazālī emphasized the subtle forms of *ribā*, when exchanging gold for gold, or any other good for the same good but with differences in quantity or time of delivery. In this case *ribā* may occur when the time of delivery is different from the arrangements (*ribā al nāṣi'ah*), or when the exchanged quantity of a good is not equal in value (*ribā al faḍl*).<sup>284</sup> Al-Ghazālī is thus criticizing the system of accumulation of money: When someone is trading in dirhams and dinars themselves, he is making them as his goal, which is contrary to their objectives. Money is not created to earn money, and doing so, would be a transgression."<sup>285</sup> Usurious practices refute ethical principles which the core of al-Ghazālī's (and other scholars') understanding of economic behaviour. Money was utilized as a measure or medium of exchange of commodities in order to ensure just transactions in terms of value and quantity.<sup>286</sup> Al-Ghazālī concluded that *ribā* violates the very nature of the function of money,<sup>287</sup> which is no more than a

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<sup>282</sup> See Ibn al-Qayyim al-Jawziyya, *Madārij al-Salīkīn* (Cairo: al-Mu'asasa al-Mukhtār li al-Nashar wa al-Tawzīa', 2001), Vol. 1, 437-438.

<sup>283</sup> Wael Hallaq, *The Impossible State*, 123.

<sup>284</sup> Al-Ghazālī, *Ihyā'*, Vol. 4, 192-193.

<sup>285</sup> Sadeq, "Ghazalijeve pogledi na ekonomske probleme i neka etičko-pravna pitanja značajna za ekonomsko ponašanje," 31.

<sup>286</sup> Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 51. On the prohibition of *ribā*, see also Qur'an 2:275, 2:276, 2:278, 3:130, 4:161, 30:39.

<sup>287</sup> Al-Ghazālī, Vol. 4, 192-93.

medium of exchange.<sup>288</sup> He concludes that the true gain is rather in “the market of the hereafter.”<sup>289</sup>

Muslim philosopher and jurist Ibn Rushd based his views on money mostly on Aristotelian views. Ibn Rushd’s prohibition of *ribā* is grounded in the idea that *ribā* may involve cheating.

It is clear from the *Shariah* that the purpose of prohibiting *ribā* relates to the possibility of great cheating that exists therein. Justice in transactions lies in approximating equivalence. So, when realizing equivalence between different things was found to be almost impossible, dinar and dirham were made to evaluate them, that is, measure them. As between different kind of commodities, I mean those which can neither be weighed nor measured, justice lies in their being proportionate. The ratio of the value of one thing to its kind should be equal to the ratio of the other things to that thing’s kind.<sup>290</sup>

Furthemore, Ibn Taymiyya wrote on usury, upholding the prohibition thereof. “To exact a higher amount over and above the sum lent, on that conjectural basis is a kind of injustice and exploitation.”<sup>291</sup> Yet, according to Ibn Taymiyya, despite that the reason behind the prohibition of *ribā* is sometimes unclear, both types are prohibited as a precautionary measure, whereas loans without attached interest, *ṣadaqa*, and *zakāt* are encouraged. His statement “When Allah created two types of people – rich and poor – He made the *zakāt* obligatory for the rich as a right of the poor; and at the same time He forbade the rich from taking interest that harms people,”<sup>292</sup> proliferates the removal of poverty from society, which can be found also in the Qur’an.<sup>293</sup> An alternative to *ribā*-based practices is the provision of profit- and loss-sharing, whereby the owner of a commodity and the buyer share the profit and loss.<sup>294</sup>

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<sup>288</sup> Many other Muslim scholars have written on the notion of money usage and usury e.g. Ibn Taymiyya and Ibn Rushd. For the later, the main aim of the prohibition is to prevent misuse in the barter exchange of commodities, gold and silver. Since *ribā* opens the door for cheating, the prohibition of it enforces a just transaction and equivalence. Dinar and dirham were made for the sake of evaluation, thus the justice in the exchange between various commodities lies not in their weight or measurement, but in their being proportioned. The ratio between two different kinds should be equal in respect to their kinds. See Ibn Rushd, *Bidāyat al-Mujtahid* (Beirut: Dār al-Ma‘rifah, 1988), Vol. 2, 135.

<sup>289</sup> Al-Ghazālī, *Iḥyā’*, Vol. 2, 75, 76, 84.

<sup>290</sup> Ibn Rushd, *Bidāyat al-Mujtahid*, Vol. 2, 135; Ibn Rushd, *The Distinguished Jurist Primer* (Doha: Garnet Publishing, 2000), Vol. 2.

<sup>291</sup> Ibn Taymiyya in Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 51.

<sup>292</sup> Ibn Taymiyya, *Majmu‘ Fatāwā Shaykh al-Islām Ahmad Ibn Taymiyya*, Vol. 29, 346-7, Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah*, Leicester: The Islamic Foundation, 1988, 138.

<sup>293</sup> “Verily Allah abolishes *ribā* and increases charity.” Qur’an 2:276.

<sup>294</sup> Ibn Taymiyya *Majmu‘ Fatāwā Shaykh al-Islām Ahmad Ibn Taymiyya*, Vol., 84, 108.

Ibn al-Qayyim took further Ibn Taymiyya's notion on *ribā*, by developing two categories, *ribā al-jalī* and *ribā al-khafī*, being the so called “open” and “disguised” interest. The former is explicitly illicit, whereas the latter is prohibited based on precautionary measures.<sup>295</sup> On *zakāt*, which accounts from two and half to twenty percent, he holds that it is imposed only on certain types of property, such as cattle, cultivated plants, gold and silver, and trading goods,<sup>296</sup> and should be given to the poor, those in need, prisoners, and travelers.

## 8. Productivity, Value of Labour, and Cooperation

Muslim scholars discussed in detail the division and value of labour, cooperation between various industries, distribution of good, and levels of productivity, while in their research invoking the Qur'an and Sunna.<sup>297</sup>

### 8.1. Division of Labour and Mutual Cooperation

For al-Shaybānī there are four types of earnings or ways of production: employment (*al-ijāra*), commerce or trading (*al-tijāra*), agriculture (*al-zirā'a*), and craftsmanship or (*ṣinā'a*).<sup>298</sup> For him agriculture supersedes other economic activities as the source of commerce.<sup>299</sup> Farming is along with handcraft favourable activity also according to Ibn Abī al-Dunyā,<sup>300</sup> and since it depends on grazing, an owner of the land is encouraged to preserve the land. Likewise, the owner will be rewarded from fertile land that is beneficial to a man or an animal.

Al-Ghazālī grouped economic activities into five categories, consisting of farming (producing food), grazing (producing food for animals), hunting (utilizing natural environment), weaving (producing textiles), and building and construction (provision of shelter).<sup>301</sup> On the division of labour he states: “the farmer produces grains, the miller converts it into flour, and the

<sup>295</sup> Ibn al-Qayyim, *I'lam al-Muwaqīn* (Misr: Maktabah al-Tijariyah al-Kubra, 1955), Vol. 2, 135-42 in Islahi, *Economic Concepts of Ibn Taymiyyah*, 132.

<sup>296</sup> Ibn Qayyim, *Zad al-Ma'ad*, Vol. 1, 147.

<sup>297</sup> E.g. Qur'an 62:10 and 73:20.

<sup>298</sup> Al-Shaybānī, *Kitāb al-Kasb*, 140.

<sup>299</sup> Al-Shaybānī, *al-Iktisāb fī al-Rizq al-Mustaṭāb*, 41-42; al-Shaybānī, *Kitāb al-Kasb*, 131, 140, 146.

<sup>300</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 94.

<sup>301</sup> Al-Ghazālī, *Iḥyā'*, Vol. 4, 12; Ghazanfar, Islahi, *Economic Thought of Al Ghazali*, 24.



baker prepares bread from the flour.” Despite the fact that division of labour is evident, he recognizes the interdependence of economic activities.<sup>302</sup>

In addition, the value of labour was well known to the medieval scholars. Since human work is motivated by its usefulness or necessity for society at large, labour is not simply an instrument of production. The ideal level of consumption and moderation has been by classical Muslim scholars promulgated according to basic human needs.<sup>303</sup> The vocal point of Islamic economic philosophy is thus inextricably related to the operation of trade agreements, market function, and above all, the concept of equity and (social) responsibility. By providing for the poor, restricting extravagance, prohibiting hoarding and interest, labour cannot be deprived of its spiritual meaning, for work is spiritual in essence.<sup>304</sup>

For Ibn Taymiyya “people are in need of trade, gift, hire and other activities in their economic life in the same way as they are in a need of food, drink and clothing... From this stems that people are allowed to engage in trading or any other activity, as long as it is not prohibited by Shari’ah.”<sup>305</sup> It is apparent that Ibn Taymiyya bases his reasoning on the Divine authority, advocating it because of its rational faculties of justice and truth. “The Shari’ah has never prohibited a thing (whose prohibition) might create hindrance in economic life. It is against the spirit of Shari’ah.”<sup>306</sup> All economic activities and transactions are according to him grouped in two categories – transactions based on justice and the ones that entail benevolent deeds.<sup>307</sup> The essential component of all transactions and contracts, in terms of labour and exchange of goods, is the notion of justice, which is applicable to all parties involved, advocating shares of losses and gains, for both invested money and one’s labour are equally participated in the production activity. “The basis of business and partnership is justice from both parties. Therefore it is against justice that one party reserves the profit of some particular commodity or some specific quantity

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<sup>302</sup> “The blacksmith produces the tools so that a farmer can cultivate, and the carpenter produces the tools that are needed by the blacksmith. This is applicable for all who engage in the production of tools, that are needed for production of foodstuffs.” Al-Ghazālī, *Iḥyā’*, Vol. 4, 12.

<sup>303</sup> Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 44 f.

<sup>304</sup> There are three purposes of work: to provide for necessary goods and services; second, to use gifts and goods, and third, to be in service with other individual to liberate oneself from ego-centricity. This is the role of jihad in work. See Waleed El-Ansary, “Islamic Science and the Critique of Neoclassical Economic Theory,” *Contemporary Islamic finance: Innovations, Applications, and Best Practices*, ed. Karen Hunt-Ahmed (Hoboken, NJ: Wiley, John Wiley & Sons, Inc., 2013).

<sup>305</sup> Ibn Taymiyya, *Majmu’ Fatāwā Shaikh al-Islām*, Vol. 19, 18.

<sup>306</sup> Ibn Taymiyya, *al-Qawā’id al-Nurāniyah* (Cairo: Matba’ah al-Sunnah al-Muḥammadiyah, 1951), 143 in Abdul Azim Islahi, *Economic Concepts of Ibn Taymiyyah*, 168.

<sup>307</sup> The justice-based transactions are further divided into two transactions through exchange (*al-muā’awamat*) and transactions through partnership (*al-mushārakāt*). Examples of the first category are exchanges based on the same good or for money, or hire (*ijārah*) of goods, whereas partnership-based transactions are further divided into two property partnership (*shirkah al-amlāk*) and contracts partnership (*shirkah al-‘aqd*). Ibn Taymiyya, *Majmu’ Fatāwā Shaikh al-Islām*, Vol. 29, 99 in Islahi *Economic Concepts of Ibn Taymiyyah*, 168.

of profit to itself, or that only one party should bear the loss.”<sup>308</sup> In this light, profit is to be obtained through the value of labour, and it thus ought to be divided among them.

## 8.2. Ethical Principles of Trade Activities

If, according to Ibn Abī al-Dunyā, one seeks to attain a peaceful life, good position and sufficient food supplies, he can obtain that through seeking labour and licit acquisition of wealth (*al-rizq*) which is a form of *jihād* (*ṭala bi al-ḥalāl jihād*).<sup>309</sup> In the view of valuing lawful provision, an honest merchant is positioned in the highest sphere,<sup>310</sup> and preferred is trading with clothes and food,<sup>311</sup> whilst those who monopolize (goods or prices) are damned (*al-jālib marzūq wa al-muḥtakar mal'ūn*).<sup>312</sup> Ibn Abī al-Dunyā was also well aware of the concealed value of cheap goods at the market, which was the reason for his promulgation of suggesting to purchase better and hence goods that are more expensive.<sup>313</sup>

In relation to the mutual cooperation a tradition of the prophet Muhammad advocating equity of barter exchange: “Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates and salt for salt be exchanged, like for like, equal for equal and hand to hand; one who demanded extra or paid extra, indulged in interest.”<sup>314</sup> According to profit and loss sharing endeavours, in *Kimiya al-sa'adat* (The Alchemy of Happiness), al-Ghazālī lays down ethical principles to be integrated into the trade activities. A trader should be honest in his occupation, and one should earn his livings by offering one's labour, since labour is viewed upon as *tawakkul*.<sup>315</sup> In accordance with ethical premise of *fiqh*, al-Ghazālī has analyzed three elements of trade: agreements between buyer and seller, commodities of the transaction, and the contents of the agreement.<sup>316</sup> It is forbidden to sell goods to a minor, mentally ill, a slave, a blind person, to someone who will make unlawful profit, a tyrant, a usurer, a thief, and to an unreliable who engages in corruption.<sup>317</sup> Moreover, one should avoid fraud in weights of quantities in order to

<sup>308</sup> Ibn Taymiyya, *Majmu' Fatāwā Shaikh al-Islām*, 84 in Islahi, *Economic Concepts of Ibn Taymiyyah*, 157.

<sup>309</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 71, 73.

<sup>310</sup> “*Al-tājir al-sudūq al-amīn al-muslim ma'a shuhadā' fī jūm al-qiyāma*,” Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 73.

<sup>311</sup> Trading with slaves, however, is regarded as the lowest kind of trading activity. Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 81-82.

<sup>312</sup> Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 84.

<sup>313</sup> “I know that good goods [i.e. those that are worth the money] are cheaper, and the bad ones are expensive (*al-jayyid rakhīṣ wa al-radī'a ghālī*).” Ibn Abī al-Dunyā, *Iṣlāḥ al-māl*, 86.

<sup>314</sup> Muslim, n.d., Vol. 5, 44.

<sup>315</sup> Al-Ghazālī, *Iḥyā'*, Vol. 4, 265.

<sup>316</sup> Sadeq A.M. Al “Ghazali jevi pogledi na ekonomske probleme i neka etičko-pravna pitanja značajna za ekonomsko ponašanje” in. *Pregled islamske ekonomske misli*, ed. Sadeq A.M., Ghazali A. (Sarajevo: El Kalem, 1996), 150.

<sup>317</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 64-65, and *Kimiya-yi Sa'adat*, trans. Muhammad Asim Bilal (Lahore: Kazi Publication, 2001), 471-472.

fix the price of a good,<sup>318</sup> for fair price based on the principle of justice (‘adl) is encouraged.<sup>319</sup> Based on this premise, if a buyer offers a higher price than the price currently on the market, the seller does not to accept the offer, since an excess of profit might occur.<sup>320</sup>

In light of righteous trading activities and transactions, al-Ghazālī describes how trade should be conducted.<sup>321</sup> It is expected that one refrains from harmful behaviour such as hoarding of foodstuff, counterfeiting coins, monopolizing a market, praising a commodity, and to attain to higher objectives, such as to gain enough profit as stipulated before the purchase, to reducing the price of a commodity when selling to a poorer seller, extending the deadline of debt repayment; selling food supplies to the poor without any interest, and so forth.<sup>322</sup> Al-Ghazālī further on discusses the development of marketplaces:

It happens that farmers live in a place where farming tools are not available. And, blacksmiths and carpenters live where farming does not exist. So, the farmer needs blacksmiths and carpenters and they in turn need the farmers. Naturally, each will want to satisfy his needs by giving up in exchange a portion of what he possesses. But, it is also possible that when the carpenter wants food in exchange for some tools, the farmer does not need the tools. Or, when the farmer needs the tools from the carpenter, the carpenter does not need food. So such situations create difficulties. Therefore, there emerge forces leading to the creation of trading places where all kinds of tools can be kept for exchange and also the creation of warehouses where farmers’ produce can be stored. Then, customers come to obtain these goods and markets and storehouses are established. Farmers bring their produce to the markets and if they can’t readily sell or exchange what they possess, they sell them at a lower rate to the traders who in turn store the produce and try to sell to the buyers at a profit. This is true for all kinds of goods and services.”... “Then, such practices extend to different cities and countries. People travel to different villages and cities to obtain tools and food and transport them. People’s economic affairs become organized into cities which may not have all the tools needed and into villages which may not have all the foodstuffs needed. People’s own needs and interests create the need for each other and for transportation. Then, a class of professional traders who carry

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<sup>318</sup> Al-Ghazālī, *Kimiya-yi Sa’adat* (Delhi: 1908), 355-56.

<sup>319</sup> Al-Ghazālī, *Kimiya-yi Sa’adat*, 356.

<sup>320</sup> Al-Ghazālī, *Ihyā’*, Vol. 2, 79.

<sup>321</sup> Muhammad Abdul Quasem, *The Ethics of Al-Ghazali*, 223.

<sup>322</sup> Al-Ghazālī, *Ihyā’*, Vol. 2, 75, 79-80. See also Quasem, *The Ethics of Al-Ghazali*, 225.

goods from one place to another is created. The motive behind all these activities is the accumulation of profits, no doubt.<sup>323</sup>

Ibn Taymiyya asserts that certain goods are desired when they are scarce than when it is widely available.<sup>324</sup> The sense of demand evolves around demanders, their economic and non-economic circumstances.<sup>325</sup> Further, Ibn Khaldūn considered agriculture an important activity, even though in Prolegomena he stated that sedentary people do not practice it.<sup>326</sup> Al-Dimashqi also noted that “Industries are interdependent on each other. The builder needs carpenter, and the carpenter needs blacksmith. The iron workers need production of mine workers who in turn are in a need of builders.”<sup>327</sup>

### 8.3. Overall Well-being and Development through Economic Provision

Along with al-Ghazālī and Ibn Taymiyya, Ibn Hazm is one of the many proponents of the imposition of extra taxes in times of state resource deficiencies.<sup>328</sup> He stressed not only the juristic viewpoints of the ‘*ulamā*’ on economic matters, but also the importance of their opinions and the rationale behind them. The provision of basic food, clothing, and shelter, which constitutes a basic standard of living, should come from governmental authority and from wealthy members of society. For him, poverty might occur due to the increased and disproportionate levels of needs in relation to income, which is needed to fulfil one’s basic needs. Those who can afford are invited to pay *zakāt*, and if neglected, it transforms into a debt to God (which again portrays the double spiritual-material essence of *zakāt*). Al-Ghazālī foregrounded not only religious duty but also primarily the material welfare encapsulated in spiritual well-being, based on the concept of common good. Al-Māwardī proposed justice (‘*adl*’), peace,

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<sup>323</sup> Al-Ghazālī, *Ihyā’*, Vol. 3, 227 as cited in Islahi and Ghazanfar, *Economic Thought of al-Ghazali*, 24-25. It might be noted that this insightful analysis of the markets by al-Ghazālī precedes what so many European classical economists said in their discourse during the 18<sup>th</sup> to 19<sup>th</sup> centuries, especially Adam Smith. It is especially interesting to note that the “farmer-carpenter” example here is analogous to the famous “butcher-baker” illustration of Adam Smith. While discussing self-interest motivated” behavior, Smith says, “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest.” Ghazanfar, Islahi, *Economic Thought of Al-Ghazali*, 54 in reference.

<sup>324</sup> Ibn Taymiyya, *Majmu’ Fatawa Shaykh al-Islām Ahmad Ibn Taymiyya*, 523.

<sup>325</sup> Islahi, “Ibn Taymiyyah’s Concept of Market Mechanism,” *Journal of Research in Islamic Economics*, Vol. 2, No. 2, (1985): 53.

<sup>326</sup> Franz Rosenthal, *Muqaddimah of Ibn Khaldūn* (Princeton: Princeton University Press, 1967), Vol. 2, 335; Ibn Khaldūn, *Muqaddimah* (Beirut: Dār al-Fikr, n.d.).

<sup>327</sup> Al-Dimashqi, Abu’l-Fadl Ja’far, *al-Isharah ila Mahasin al-Tijarah* (Cairo: Maktabah al-Kulliyat al-Azhariyyah, 1977), 21.

<sup>328</sup> See Ibn Hazm, *al-Muhalla* (Misr: Matba’a al-Nahdah, 1347 A.H/1928 A.D.), Vol. 2 and 6.

religion, security, and proper education as the decisive components of the overall human development in society.<sup>329</sup> Ibn Taymiyya on the other hand encouraged cooperation and interdependence between different fields and economic activities, in order to bring about welfare, which is based on benevolence and justice.

Ibn Khaldūn was on the other hand one of the first scholars who conceptualized economic thought within the field of historical analysis and social factors. Ibn Khaldūn invented a new discipline called *‘ilm al-‘ūmrān al-basharī wa al-ijtimā‘ al-insānī* (the science of the civilization of mankind and human socialization), by studying human society and its nature.<sup>330</sup> His political economy is less based on renunciation of worldly affairs, but on the theory of cycles and socioeconomic development, which goes hand in hand with the idea of just rule. His five-stage cycle<sup>331</sup> procures a development of social cohesion of dynasties (societies). While the first phase is about establishment of the empire, in the second phase the ruler gains control over the people. During the third phase, the economic prosperity is achieved and taxes collected, whilst in the fourth phase ruler’s successor steps in. It is the fifth phase that is the most devastating by ways of elite’s overindulgence and luscious life that leads into the shattering of the social system. Ibn Khaldūn’s key concept of *‘aṣabiyyah* (social cohesion) provides stability and cooperation.<sup>332</sup> The cycle theory promulgates *Sharī‘a*-induced views on ruler’s conduct, expenditure policy, tax returns, and social productivity, being both socioeconomic and moral in essence.

## 9. Islamic Authority (*wilāyah*) and the Principle of Moral Integrity

From its early beginnings, the Islamic caliphate aimed at discerning the legal execution of power from the political rule, linking it only by ways of moral norms. The state in Islam did not exist,<sup>333</sup> yet the role of the so-called state authority or government (Caliph) was discussed in length in many manuals on just governance, legal texts, and other treaties. Various scholars e.g. Abū Yūsuf, al-Ghazālī, Ibn Taymiyya, al-Maqrīzī, etc., discussed ruler’s role in facilitating fair

<sup>329</sup> Al-Māwardī, *Adab al-Wazīr* (Misr: Maktabah al-Khanji, 1929), 3-4, 20 in Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 66.

<sup>330</sup> See Ibn Khaldūn, *Muqaddimah* (Beirut: Dār al-Fikr, n.d.)

<sup>331</sup> Ibn Khaldūn divides society based five distinct yet interrelated spheres: conquest and success; stability and self-exalting; economic expansion and enjoyment of the fruits of development; contentment and compromise; and extravagance, wastage and decadence. Franz Rosenthal, *Muqaddimah of Ibn Khaldūn*, Vol. 1, 353.

<sup>332</sup> Franz Rosenthal, *Muqaddimah of Ibn Khaldūn*, Vol. 2, 271-72.

<sup>333</sup> See Wael Hallaq, *The Impossible State*, 48.

economic policies. In spite of different geographical and political landscapes, many scholars raised similar concerns.

### 9.1. *Hisba*, *Muhtasib*, and the Supervision of Markets

The state authority in Islam used to sanction false transactions, incorrect weights or illicit contracts, purchases of unlawful commodities and so forth. Marketplaces in the medieval (Muslim) societies facilitated economic growth and contributed to the expansion of cities. The institution of *hisba*, as part of the Islamic state authority, controlled market functioning. The nature of control differed due to geographical regions, political instabilities and eras – imposed judicial stipulations according to Islamic law, as well as preserve healthy economic growth.<sup>334</sup> The duties of *hisba* institutions encompassed the spiritual and legal aspect of *Sharī'a*. These state institutions were run by a *muhtasib* (a public or market inspector or auditor), who regularly checked prices, false advertisements, incorrect weights, *riba*-transactions, and illicit contracts. As such, the *sūq* was not only a marketplace, but also combined juridical, ethical, economic, and spiritual aspect of daily lives of Muslims.

The institution of *hisba* “led to the proliferation of a unique literature, the *hisba* handbooks.”<sup>335</sup> The so called *al-hisba* literature appertain to authority control as well as monitoring of prices, merchandise, and overall flow of trade, in order to facilitate a just and fair purchases and sales between buyers and merchants. In addition, Greek and Roman tradition knew *agoranomos* or a market inspector who monitored market place.<sup>336</sup> Islahi, for instances, pinpoints that scholars such as al-Māwardī believed that the institution of *hisba* has its origins in the Qur'an.<sup>337</sup> As much as *muhtasib*'s interventions can be invoked as legal rules, e.g. prohibiting jacking up prices by sellers and/or monopolizing market, as it will be indicated below, they are ethical in nature. *Hisba* institutions was in this sense an office to control the function of market and morals in relation to public life.<sup>338</sup> Those who have written on *hisba* are among others, Abū

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<sup>334</sup> For more on the role of the *hisba*, see: Essid, Yassine, *A Critique of the origins of Islamic Economic Thought*, 1995; Ibn Taymiyya, *al-Hisba fī al-Islām*; al-Shayzarī, *Nihāyat al-Rutbah fī Ṭalab al-hisba*, trans. R. P. Buckley (Oxford: Oxford University Press, 1999); Ibn al-Ukhuwwah, *Ma'alim al-Qūrbah fī aḥkām al- hisba* (Cairo, 1976).

<sup>335</sup> The institution of *hisba* played a different role under various rulers in the medieval Islamic milieu. Ameer Ali and Herb Thompson, “The Schumpeterian Gap and Muslim Economic Thought,” *The Journal of Interdisciplinary Economics*, Vol. 10 (1999): 31-49.

<sup>336</sup> Charles Tripp, *Islam and the Moral Economy*, 106. For the history of Greek and Christian economic ideas see Dotan Leshem, *The Origins of Neoliberalism* (New York: Columbia University Press, 2016).

<sup>337</sup> “Let there arise out of you a band of people inviting to all that is good, enjoining the right conduct and forbidding what is wrong. Such are they who are successful.” Qur'an 3:104.

<sup>338</sup> Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 58-59.

Yūsuf, al-Shaizrī,<sup>339</sup> al-Ghazālī, and Ibn Taymiyya. These authors describe the virtues and responsibilities of *muḥtasib*, and also provide practical manuals for supervision of markets, administrative control, and industry,<sup>340</sup> including standardization of measures,<sup>341</sup> monitoring of harmful activities in markets such as forestalling and hoarding,<sup>342</sup> and fixing of prices in times of necessities.

The role of the *muḥtasib* was in al-Ghazālī's view to ensure "supply and provision of necessities," whose task was supervising market conduct, implementing the immutable law and thereby mobilizing the religious sentiment it contained.<sup>343</sup> The *muḥtasib* promotes justice by preventing the abovementioned acts, and is himself part of the institution.<sup>344</sup> One of his roles was to assure price control, which was believed to be set by the market forces on its own, which can occur due to unlawful and undesirable activities by merchants. In this sense the "natural regulation of the market corresponds to a cosmic regulation,"<sup>345</sup> indicates restoring what is believed to be the normal price of commodities at the market. The criterion for a normal price is "the price people are used to paying for a given product under normal market circumstances."<sup>346</sup> Normal price is thus market price. According to Ibn Taymiyya, *ḥisba*'s office ought to act in accordance with the Qur'anic statement of promoting the good and forbidding the harmful.<sup>347</sup> For Ibn Taymiyya, man's active role in economic life is desirable insofar if purchases and sales are strewn upon with various regulations, such as the prohibition of hoarding of wealth and food supplies,<sup>348</sup> as a merchant should always seek to sell his commodities at a fair distributive price,<sup>349</sup> in accordance with the regulations set on markets, which are run by the market inspector of *muḥtasib*.

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<sup>339</sup> 'Abdur Raḥman bin Naṣr Al-Shaizarī, *Aḥkām al-Ḥisba* (Beirut: Dār al-Thaqāfa, n.d.).

<sup>340</sup> Ibn Taymiyya, *al-Ḥisba fī al-Islām* (Cairo: Dār al-Sha'b, 1976), 21. See also the English translation by Holland, Muhtar, *Public Duties in Islam: The Institution of the Hisbah* (Leicester: The Islamic Foundation, 1982).

<sup>341</sup> Ibn Taymiyya, *al-Ḥisba fī al-Islām*, 22.

<sup>342</sup> Ibn Taymiyya, *al-Ḥisba fī al-Islām*, 23.

<sup>343</sup> It is documents that Caliph al-Ma'mūn (d. 833) was the first to replace the *sāhib al-sūq* or market inspector, who controlled practical economic matters in Baghdad, with the official *muḥtasib*. The practical impact of the *sāhib al-sūq* still remained in place after the *muḥtasib* was introduced; however, the religious implications in inspecting moral behaviour at the marketplace became much more frequent and permanent during the Abbasid reign, which can be perceived as an attempt to assure a more religious sentiment in the marketplace. Essid, Yassine, *A Critique of the origins of Islamic Economic Thought*, 115, 118, and Ira M. Lapidus, "The Separation of State and Religion in the Development of Early Islamic Society," *Journal of Middle East Studies*, Vol. 6, No. 4 (1975): 376.

<sup>344</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 312.

<sup>345</sup> Essid, Yassine, *A Critique of the origins of Islamic Economic Thought*, 153.

<sup>346</sup> Essid, Yassine, *A Critique of the origins of Islamic Economic Thought*, 161.

<sup>347</sup> Ibn Taymiyya, *al-Ḥisba fī al-Islām*, 14.

<sup>348</sup> Al-Ghazālī, *Iḥyā'*, 72.

<sup>349</sup> Ibn Taymiyya, *Public Duties in Islam: The Institution of the Hisbah* (Leicester: The Islamic Foundation, 1982), 32-33.

## 9.2. Advice for Rulers, Public Finances, and the Aims of Just Governance

Abū Yūsuf stated that “The ruler is responsible for the welfare of the people and must do everything that he considers good for them,” by quoting Abū Mūsā al-Ash‘arī, a companion of the Prophet; “The best of men in authority are those under whom people prosper and worst are those under whom people encounter hardship.”<sup>350</sup> Most of al-Ghazālī’s analysis on the state authority and economics are to be found in *Ihyā’ ‘Ulūm al-Dīn* and in *Naṣīḥat al-Mulūk*. The Saljuqs, who ruled the Middle East during the 11<sup>th</sup> and 12<sup>th</sup> centuries, marked a new era with their political institutions. The Saljuq-led government attempted to cultivate the Islamic identity by recognizing the legitimacy of the caliphate and its divine descent.<sup>351</sup> Al-Ghazālī lived in the Saljuq period, which established the relation between state and society based upon religious grounds. Nevertheless, the political and religious realms were distinguished.<sup>352</sup> For al-Ghazālī, the state authority (*dawla*) is a necessary institution for promoting just economic activities and to exercise *Sharī‘a*-mandated social obligations: “The state and religion are indivisible foundations of a law-abiding society. Religion is the foundation and the ruler, who represents the state, is its promoter and protector; if either pillar is weak, society will crumble.”<sup>353</sup> For al-Ghazālī, it is clear that ideal government in the Islamic community bases its rules upon Islamic jurisprudence and Islamic ethical teaching.

*Kitāb Naṣīḥat al-Mulūk*, or the Book of Counsel for Kings is a so-called “Mirror for Princes,” a genre of political writing and distinctive form of literature known in the early Islamic world, especially in the Arab and Persian world.<sup>354</sup> In *Counsel for Kings*, al-Ghazālī’s Sufi views of livelihood and politics are expressed,<sup>355</sup> discussing the inner dimensions of the spiritual life a ruler, merging political (and legal) with spiritual. The ruler is to obtain prosperity for his people, and should cooperate with ‘*ulamā*’. The authority should keep all subjects satisfied and pleased

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<sup>350</sup> Abū Yūsuf, *Kitāb al-Kharaj*, 16, and 129 in Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 60.

<sup>351</sup> “They enforced Islamic law, patronized the pilgrimage, endowed colleges of learning and religious activity, and sometimes waged jihad against non-Muslim populations in Anatolia and Central Asia. None the less, these states were not considered inherently Islamic.” Ira M. Lapidus, “State and Religion in Islamic Societies” in *Past & Present*, No. 151 (1996): 13.

<sup>352</sup> Lapidus, I.M., “The Separation of State and Religion in the Development of Early Islamic Society,” 376.

<sup>353</sup> Al-Ghazālī, *Ihyā’*, Vol. 1, 17, also Vol. 2, 312-15, 338; al-Ghazālī *Naṣīḥat al-Mulūk*, 59.

<sup>354</sup> *Naṣīḥat al-Mulūk* was composed in al-Ghazālī’s birth town of Tūs upon his return from Nīshāpūr, after 503/1109, as a response to the criticism he received from a Ḥanafite ‘*ulamā*’ and as a gift to the Ṣultān Muḥammad ibn Malikshah (d. 1092). The book is divided into two parts with related themes. The first part addresses rulership as a bestowed position which expounds one’s accountability. The ruler does not possess ultimate power and is responsible for the just reign for his subjects. The second part addresses the virtues of a state-appointed ruler. Al-Ghazālī, *Counsel for Kings*, ix, xviii.

<sup>355</sup> Al-Ghazālī, *Counsel for Kings*, xxxviii.



with the rule. In regards to fair economic development, certain conditions are to be met: “Efforts of those Kings to develop the world were undertaken because they knew that the greater the prosperity, the longer would be their rule and more numerous their subjects. They also knew that the religion depends on the authority, the authority on the army, and the army on the supplies, supplies and prosperity on justice.”<sup>356</sup> Various principles of just approach that pertain to all people within a state are explained:<sup>357</sup> the ruler ought to comprehend the responsibility of the role; he should never tolerate injustice; he should rule without pride, since this might invoke revenge and turmoil; he should not indulge into lust; he should avoid harsh governing; and keep his subjects pleased. The responsibility of the ruler and the intervention of the state authority is grounded on the basis to regulate also economic conduct and to facilitate secure conditions for trading.

“when injustice and oppression are present, the people have no foothold, the cities and localities go to ruin, the inhabitants flee and move to other territories, the cultivated lands are abandoned, the kingdom falls into decay, the revenue diminishes, the treasury becomes empty, and happiness fades among the people. The subjects do not love the unjust king, but always pray that evil may befall him.”<sup>358</sup>

Among others, al-Ghazālī, Ibn Khaldūn and Ibn Taymiyya believed that government is indispensable and its principal aim is to provide for its citizens. Ibn Khaldūn distinguished two types of governments, the one based on reason (*‘aqlīya*) and on Divine law with *Sharī‘a*-compliant higher values. While the first guards against injustice, the second provides for the positive enforcement of law and justice.<sup>359</sup> Unlike mercantilism, the notion of *wilāya* depends on the facilitation of mutual cooperation between people and the state, aiming at achieving trust and overall well-being grounded in the moral values of *Sharī‘a*,<sup>360</sup> while not presupposing an absolute power by the state. The mentioned classical Muslim scholars did not necessarily analyze the genealogy of the concept of governance and authority in Islam, however, they asserted that one of the crucial aims of authority is the notion of justice and prevention of harm,<sup>361</sup> in order to secure the well-being of its members, including the socioeconomic justice. Likewise, the Islamic

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<sup>356</sup> Al-Ghazālī, *Counsel for Kings*, 56.

<sup>357</sup> Al-Ghazālī, *Counsel for Kings*, 13-31.

<sup>358</sup> Al-Ghazālī, *Counsel for Kings*, 55.

<sup>359</sup> Ibn Khaldūn, *Muqaddima*, 150.

<sup>360</sup> “In the *Sharī‘a*, the legal is the instrument of the moral, not the other way around” Wael Hallaq, *The Impossible State*, 10.

<sup>361</sup> Ibn Taymiyya, *al-Siyāsa al-Shar‘iyya* (Cairo: al-Sha‘b, 1971), 90.

governance should strive to eradicate poverty, provide equal opportunity, prevent exploitation, and guarantee the betterment of its subjects, for state influence expands also to the market. The two-fold perspective of the state authority hinges upon the provision of the material welfare as well as spiritual well-being simultaneously.

Analyzing the economic reasons for the demise of the Fatimid financial policy, as well as its political and spiritual remedies, cultivates a discussion on economic history that stretched over the Medieval Mediterranean world and its possible ramifications for the analogous debates across the Muslim world. Al-Maqrīzī was trained as a theologian and jurist, while later holding a position of a public inspector. Even though al-Maqrīzī addressed monetary history and financial policies, his texts excoriates Mamluk officials and authorities, by analyzing the reasons for the economic downfall and possible solutions for it.<sup>362</sup> Three main reasons for the economic crisis are political corruption, the rise of land prices and associated agriculture activities, and the widespread circulation of copper money.<sup>363</sup>

Three causes, and only three, contributed to this situation: the first cause, the source of this decay, is the holding of administrative and religious positions such as the vizirate, judgeships, provincial governorships, the hisbah, and other functions through bribery, to the point that it has become impossible for anyone to secure any of these positions without paying large amounts of money... The second cause is the high cost of land: a number of persons were promoted to the service of the commanders, whose friendship they were seeking through money that they collected as taxes, to the point that they became their masters... The third cause [of this situation] is the circulation of the *fulūs*.<sup>364</sup>

Since copper coins functioned as a basic currency, it has become widely accepted due to the overproduction and overcirculation of *fulūs*, which resulted in the debasement of gold. He held the sultan Barqūq (r. 1399-1412) responsible for the inflation, mismanagement of treasury, over-minting of copper coins (*fulūs*), and the monetary harm that struck Egypt, and believed that

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<sup>362</sup> Al-Maqrīzī was in his text interested to analyze and describe the factors which led to the economic downfall, including the agricultural production due to the costs of plantation activities. Wan Kamal Mujani, Noor Inayah Yaakub, "Al-Maqrizi (d. 1442) and Abd Al-Basit (d.1514) and Their Accounts on the Economy in Egypt" (paper presented at the International Conference on the Modern Development of Humanities and Social Sciences, Hong Kong, December 1-2, 2013, published by Atlantis Press), 33.

<sup>363</sup> Hiroshi Kato, "Reconsidering al-Maqrīzī's View on Money in Medieval Egypt," *Mediterranean world*, Issue 21 (2012): 36.

<sup>364</sup> Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah* (Salt Lake City: University of Utah Press, 1994), 52-55.

economic problems can be addressed through monetary policy that have to be communicated to the highest office.

Increases in the prices of those few exceptions would be caused by either of the following: first, the poor judgment and ignorance of the officials vested with the supervision of [economic] matters; this is the likeliest [cause]. Second, a disaster that strikes a natural product and causes its scarcity... Nevertheless, had there been officials who were bestowed with [divine] guidance and inspired with reason, the situation would have been different from that of the present ordeals. The money that anyone now receives from land tax or any other source consists instead of [copper] fulus, which are, as already mentioned, weighed by the ratl, while gold, silver, and all goods such as foodstuffs, clothing, and the like have become luxuries... Had God guided those whom He entrusted with the welfare of [His] servants to restore the currency to what it was formerly, anyone who would receive these 10 dirhams would receive them in silver and would know that even at current prices they would be sufficient [not only] to meet his needs but even to exceed them.<sup>365</sup>

Al-Maqrīzī affirmed that the cause of the economic crisis and the subsequent famine was human action,<sup>366</sup> and has to be addressed through a set of legal and economic policies, often linked to religious corpus: “the situation became critical; conditions became perilous, disaster was widespread and calamity universal, to the degree that more than one-half of the population of the land [of Egypt] died of hunger and cold. Death was so prevalent that even the animals perished in the years 806/1403-4 and 807/1404-5.”<sup>367</sup> He was interested in knowing how the currency has been utilized, for determining “prices of good and costs of labor consists only of gold and silver,”<sup>368</sup> since gold has traditionally been used in Egypt. Since inflation caused the dearth of economic stability, its main cause was the usage of copper coins as a main currency, which resulted in higher levels of corruption, and most importantly copper coins were utilized to make more money, which consequently also impacted the debasement of currency. Therefore, he advocated for a supervised minting of coins (since such approach in his view departs from *Sharī‘a*) and a return to a monetary policy based on gold and silver as a measure of value in

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<sup>365</sup> Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah*, 83-85.

<sup>366</sup> John L. Meloy, “The Merits of Economic History: Re-reading al-Maqrīzī *Ighāthah* and *Shudhūr*,” *Mamlūk Studies Review*, Vol. 7, No. 2 (2003): 189.

<sup>367</sup> Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah*, 51.

<sup>368</sup> Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah*, 55.

finances, trade, and economy as a whole,<sup>369</sup> for the inflation (*ghalā'*)<sup>370</sup> occurred due to the over-proliferation of coins and the gradual disappearance of dirham. The quantity of copper coins should be circulated only to the needs of the economy and not to boost personal greed. The primary purpose of coins being a store of value and a medium of exchange.<sup>371</sup> In respect to economic theory, al-Maqrīzī classified social classes into seven groups and discussed the effect of economic crisis that swept through Egypt in the 15<sup>th</sup> century: those who hold power; wealthy merchants; small-business merchants; farmers; scholars; skilled workers; and the poor.<sup>372</sup> He managed to analyze the monetary economy that influenced those social classes as an independent mechanism. Al-Maqrīzī's vivid descriptions of the conflict between the social classes insinuates that the ruling elite controlled the grain market, the middle and small businesses aimed to maximize their profits, whilst the common people (*āmma*) sought to protect their livelihood, indicating that the state was only one of the participants in this competition. After analyzing the effects of the crisis, he concludes that the return to the monetary system based on gold and silver is necessary and in accordance with the moral value, for copper coins were never meant to be a standardized currency, but dirham as an ideal account. Consequently, also goods would be linked to gold as more stable currency. He proposes that "to issue a whole decree to our masters the chief judges – God strengthen their religion – that they require the notaries to write land registers, building contracts, marriage contracts, and loan documents only in dirhams," as well as that judges should be directed to enforce market inspectors to assure dirham-based transactions.<sup>373</sup>

Even though al-Maqrizi does not directly address concepts related to Sufi or philosophical discourse, his critique of the governmental policy on economic management in essence pertains to the very core of the moral argument in de-linking the copper money from gold and silver in order to eradicate political corruption and re-establish healthy moral economy. His advices designate a legal, political, and moral policy to the ruling class on monetary affairs as how to refurbish a healthy economy based on sound moral teachings.

## 10. Concluding Remarks

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<sup>369</sup> Muḥammad 'Alī al-Maqrīzī, *Ighātha al-Ummah bi Kashf al-Ghumma* (Cairo: 'Ayn al-Dirāsāt al-Ba'ūth al-Insāniyya wa al-Ijtimā'iyya, 2007); Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah*, 77-78.

<sup>370</sup> Adel Allouche, *Mamluk Economics: A Translation and Study of al-Maqrizi's Ighāthah*, 27, 40, 50.

<sup>371</sup> Warren C. Schultz, "Mamluk Monetary History: A Review Essay," *Mamlūk Studies Review*, Vol. 3 (1999): 183.

<sup>372</sup> Hiroshi Kato, "Reconsidering al-Maqrīzī's View on Money in Medieval Egypt," 36.

<sup>373</sup> Al-Maqrīzī, *Shudhūr*, 35-36 in John L. Meloy, "The Merits of Economic History: Re-reading al-Maqrīzī Ighāthah and Shudhūr," *Mamlūk Studies Review*, Vol. 7, No. 2 (2003): 200.

Since premodern Islamic culture was not familiar with the concept of economics or the field of political economy as it is defined and extrapolated in the modern period, the subject of economic thought in Islam has to be approached via the epistemic route that would give precedence to moral understanding of the economic behavior of man. In light of the classical Muslim scholars, the focus of economic ideas was not to maximize profit, but to construct a responsible and all-encompassing, systematic-spiritual *modus operandi* to attain higher objectives, conducted with moral agency.

The individual in premodern Islamic concept was always comprehended as part of a communal reality. Even though commercial laws (*mu'āmalāt*) and judges' decisions indicate that it is always an individual that is addressed and remitted, given the essence of *Sharī'a*, this is inasmuch as significant for the community at large. The individual's heart, salvation, and his impeccable behaviour is henceforth made contingent upon the communal reality. In consideration of this, an individual is a micro-cosmos of society in which there is a dialectical relation between the two. The ultimate duty of an individual is to be an operative part of the moral cosmology of *Sharī'a*, in which one forms "individual communitarianism." *Sharī'a* as Divine law does not address only the institutions of *zakāt*, *ribā*, and other conceptualities in light of legal understanding, but also other more abstract yet profoundly relevant matters which entail moral connotations, including the notion of *maṣlaḥa*. Therefore, it seems appropriate that the moral cosmology of economic thinking in Islam loom large over the legal normativity. In view of this distinction, Islamic economics ought to be studied through the theoretical corpus of Islamic intellectual history and virtuous traits of character.

The aim of classical scholars' writing was not necessarily to eradicate poverty but to refrain from riches. The *kasb-zuhd* amalgam imparts the idea that the poor do not need to contest the rich, while simultaneously the rich do not need to despise the poor, yet the motive of the rich has to change in order to facilitate the needs of the poor. Classical Islamic thought, encapsulated in the theological, philosophical, legal, and moral sources, conveys the importance of virtuous economic faculties. The purely material (or even legal) categories are substituted with spiritual excellence, which is the only channel, which divides members of society. For many classical Muslim scholars, the market was something that evolved naturally according to society's needs and wants. Yet, this should not be mistakenly interpreted that the early Muslim scholars advocated or anticipated a modern conception of free market, for it was heavily regulated by religious and moral norms as well as legal mechanisms. Despite the fact that authority was exercised through the institution of *ḥisba*, which was responsible for market activities, it was not

the final denominator. Markets were effective in the sense that they established a proposed scheme of measurements and needs, accordingly; scholars' texts, ideas, and advices were often incorporated into the governments' policies.

The so-called *kasb-zuhd* texts on spiritual-moral economy from the classical and medieval period are about everyday economics and economic behavior as well as about the spiritual qualities of men, whereby the material is needed and thus in service of the spiritual. As such, economic postulates' final denominator is congruous with the moral cognizance of the Afterlife.

In what follows, Chapter Four critically examines Islamic economic theories and the indigenization of social sciences, which was manifested through the methodological confinement and epistemological contestation of contemporary Islamic economics vis-à-vis modernity's economic positivism.

## Chapter Four:

### **The Appraisal – Contemporary Islamic Economics and the Entrenchment of Modernity**

*First, we must examine our own Islamic tradition in the light of these criteria and principles and then critically study the body of knowledge created by modernity.*

Fazlur Rahman, *Islamization of Knowledge: A Response*, 457

*To rid myself of fear, or love, or the desire to conform is to liberate myself from the despotism of something which I cannot control.*

Isaiah Berlin, *Liberty*, 185

#### 1. Introductory Remarks

Apropos the analysis of the revivalists' ideas on socioeconomics developments in the Middle East and South Asia in Chapter One, the study of contemporary Muslim economists in Chapter Two, and the research on classical economic thought in Chapter Three, this fourth chapter interrogates and critiques the inner structure of contemporary Islamic economics in relation to *Sharī'a*'s moral predicaments and the Islamization of knowledge process. The first part of the chapter discusses the intricate relation between *Sharī'a* and the field of economics in Islam by critiquing the legal premise of contemporary Islamic economics. I do not provide a critique of *Sharī'a*, but rather of the understanding of *Sharī'a* in its role in establishing the methodology of the subject of Islamic economics. Since part of methodology of Islamic economics is based on the application of juristic principles and ethical norms to the mainstream economic dispensation, I argue that the classical perception of *Sharī'a* as a moral institution has been lost in contemporary Islamic economics due to its adaptation of modern social sciences and its principles. Furthermore, expounding methodological and epistemological inconsistencies of contemporary Islamic economics asserts that the notion of *Sharī'a* as primarily a moral category is essential to understating economic behaviour in Islamic tradition.

The second section of this chapter critically examines the Islamic economic project's epistemology, methodology, and the amalgamation of the two epistemic systems: Islamic

conceptual history and Western economic tradition. This composition provided Islamic economics with a hybrid framework, consisting of Islamic ethics and neoclassical economic outlook. This section analyzes the following scholars who have raised concerns and critiqued the nature of Islamic economics: Muhammad A. Khan and his later writings on Islamic economic science; Rauf Azhar who rearticulated the role of *ribā* in Islamic history; Sohrab Behdad and Abbas Mirakhor who elaborated on the epistemology of the Islamic economics; Thomas Phillipe, Volker Nienhaus, Shinsuke Nagaoke, and Timur Kuran, who analyzed the subject from its very emergence; Seyyed Vali Reza Nasr, who addressed the lack of consistency of Islamic economic philosophy; and Syed Farid Alatas, who has voiced criticism over the construction of social sciences in the West and Muslim economists' blind following of its paradigm.

The idea of contemporary Islamic economics did not evolve from the classical Islamic tradition and its association with the Islamic sciences of nature. Certain economic institutions and moral practices within the market existed in premodern Islam,<sup>1</sup> yet were based on different epistemic tradition. When classical Muslim economists discussed traditional concepts of price regulations, market mechanisms, expenditures, and so forth, they did so in view of moral theories based on Islamic natural sciences. However, contemporary Islamic economics is grounded in positivist economics and the notion of utility.<sup>2</sup> It is a modern project, created within the philosophical structures of modernity. In this context, modernity refers to the end result of the scientific, social, economic, and political process of modernization that began in Europe in the 18<sup>th</sup> century.<sup>3</sup> Modernist discourse (or modernism) was informed by the principles of 19<sup>th</sup> century liberal philosophy and its outlook on scientific, social, legal, and economic life, including the process of democratization, economic development, scientific progress and evolutionary theory.<sup>4</sup>

The process of modernization, which encompasses modern scientific knowledge including processes of rationalization of economic life, urbanization, industrialization, and different social

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<sup>1</sup> See e.g. Abdullah Alwi bin Haji Hassan, "Al-Mudarabah and its Identical Islamic Partnership in Early Islam," *Hamdard Islamicus*, Vol. 12, No. 2 (1989): 11-38.

<sup>2</sup> In spite of the fact that mainstream economics is diverse, and that various views exist also within contemporary Islamic economics, the majority of Muslim economists, however, resort to basic economic postulates found in the Western economic tradition. Alatas states that both Marxist-inspired and neoclassical theories are informed by that very discourse and the ideas of development of the 19<sup>th</sup> century liberal philosophy. Syed Farid Alatas, "The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse," *Archives de sciences sociales des religions*, 40e Année, 91 (1995): 92.

<sup>3</sup> Syed Farid Alatas, "Islam and Modernization," in *Islam in Southeast Asia: Political, social and strategic challenges for the 21st century*, eds. K. S. Nathan and Mohammad Hashim Kamali (Singapore: ISEAS, 2005), 209.

<sup>4</sup> See Kate Manzo, "Modernist Discourse and the Crisis of Development Theory," *Studies in Comparative International Development*, Vol. 26, No. 2 (1991): 3-36.



structures, spread beyond Europe.<sup>5</sup> This shift in the non-Western societies meant also academic dependency on social sciences, linking the advancement of industrialization process with particular economic thinking. At the same time, Islamic economics was conceived as a reaction to materialism and capitalism.<sup>6</sup> The majority of contemporary Muslim economists either proposed to Islamize the discipline of economics, or suggested integrating the existing economic theories and concepts into Islamic economic system. It appears that the structural challenge the Muslim countries faced in the 19<sup>th</sup> and 20<sup>th</sup> centuries, coincided not only with militarism and cultural intrusion, but also with a forceful economic restructuring.<sup>7</sup> Contesting capitalism and socialism was part of the methodological blueprint of Islamic economic theories, aligned with the prevalent economic order, despite its distinct characteristics. This entailed negotiating over Islamic law and its legal aspects.

## 2. Modern Divergences of *Shari'a*'s Moral Principles

As demonstrated in Chapter Two, the majority of contemporary Muslim economists maintain that the Islamic economic project is part of Islamic law and jurisprudence, since Islamic economics builds upon knowledge established by Muslim scholars and jurists.<sup>8</sup> This would indicate that key terms that also have economic significance, such as *ribā*, *zakāt*, the utilization of money, *maṣlaḥa*, and commercial and legal transactions, would fall primarily under the category of *fiqh*.<sup>9</sup>

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<sup>5</sup> For more on the concept of modernization in relation to colonialism and Arab nationalism, see Bassam Tibi, *Arab Nationalism: Between Islam and Nation-State* (London: Palgrave Macmillan, 1997), 46 f.

<sup>6</sup> See Seyyed Vali Reza Nasr, "Toward a Philosophy of Islamic Economics," *Muslim World*, Vol. 77, No. 3-4, (1987): 175-196; Muhammad Baqir al-Sadr, *Towards an Islamic Economy* (Tehran: Bonyad Be'that, 1984); Syed Farid Alatas, "Islam and Modernization," in *Islam in Southeast Asia: Political, social and strategic challenges for the 21st century*, eds. K. S. Nathan and Mohammad Hashim Kamali (Singapore: ISEAS, 2005), 210.

<sup>7</sup> Wael Hallaq, *The Impossible State*, 152. Shahab Ahmed claims that the revivalist discourse of modernity addressed the conceptions of Islamic state and law, not other discursive fields of Islam, such as theology, philosophy, ethics, poetics, and we could add, moral cosmology of economics. "It is striking that so much of the discourse of modern reformat Muslims – who have, for the most part, received the norms of modernity second-hand and by the force of arms and coercive administrations of European colonialisms – about (what is Islam has been about rethinking the Islamic state by rethinking law, and *not* about rethinking theology, philosophy, ethics, poetics, and Sufism as a hermeneutical means to modern Islamic norms. The relative lack of concern on the part of even the most self-consciously critical modern Muslims to re-think or reform normative Islam in terms of theology, philosophy and ethics – let alone Sufism and poetics – is one of the most peculiar, but also symptomatic, elements of Muslim modernity as *modernity*." Shahab Ahmed, *What is Islam?*, 125-126.

<sup>8</sup> Waleed Addas's comparison of conventional and Islamic economics' methodologies indicate that the latter is based on *fiqh* and *usul*: "Islamic economics is in a measure generated through the application of Islamic *fiqh*." Waleed Addas, *Methodology of Economics: Secular vs. Islamic*, 97.

<sup>9</sup> "For example, a person may claim that the prohibition of *riba* is decreed by *Shari'a*, but this claim cannot be meaningful without a clear definition and application of this term, which is the subject of *fiqh*. Since human

However, since the essence of the classical *fiqh* discourse was from the very outset theological in nature,<sup>10</sup> the moral premise of *Shari'a*, lies at the core of economic endeavours.

Islamic law (*fiqh*) has always been perceived as religious law with a Divine character; however, this Divine aspect was made absolute,<sup>11</sup> which in the modern period also reinforced a legal supremacy. *Shari'a*, however, was not separated from the conception of Qur'anic morality in the premodern era, therefore the dichotomy between the two epistemic systems did not exist.<sup>12</sup> The presupposition of viewing economic thought in Islam as part of *fiqh* rests upon the idea that modern Islamic economic thought was conceived within the mechanisms of the modern state and consequently as a legal devise, unlike medieval economic philosophy in Islam, which was embedded predominately within the moral contexts, including its metaphysics.<sup>13</sup> One of the main differences between classical and contemporary scholars on Islamic economics is that the former based their arguments on theological foundations, whereas the latter on legal positivism and modernist discourse, extending it also to Islamic finances and banking. The majority of medieval Muslim scholars, many of whom were jurists themselves, positioned their ideas and theories on

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interpretation of relevant texts of the Qur'an and Sunna is unavoidable in both aspects of this issue, it is difficult to distinguish between the two." Abdullahi Ahmed An-Na'im, *Islam and the Secular State: Negotiating the Future of Shari'a*, 35.

<sup>10</sup> "The essence of *fiqh* discussions has always been theological; it is only of late that jurists tend to focus attention on economic matters in two directions. Since most of them are not well-versed in economics they test at the mainstream concepts on the juristic touchstone for pronouncing judgment on their efficacy for Islamic economics. Since jurisprudence is for most part micro in character they miss at times the macro implications of their opinion." Waleed A.J. Addas, *Methodology of Economics: Secular vs. Islamic*, 98.

<sup>11</sup> Bauer brilliantly defined Islam as a culture of ambiguity also within the realm of Islamic law, by extrapolating legal terms in Islamic intellectual history and offering a theory of how those terms were not made religiously, despite their also non-theological and social aspects. See Thomas Bauer, *Die Kultur der Ambiguität, Eine andere geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011). For the critique of Bauer not defining but rather presupposing the already established categories of "religious" and "secular", see Shahab Ahmed, *What is Islam?*, 210 and 409: "Invaluably, Bauer documents and describes a great deal of ambiguity in, especially, the Arabic-language discourse of premodern Muslims prior and adjacent to the Balkans-to-Bengal complex. However, he does not interrogate the categories of "religious" and "secular," nor of "culture," but rather treats ambiguity in terms of these categories, which he evidently regards as inherently valid and with which he operates. In his conceptualization and analysis of the significance and meaning of ambiguity he thus falls into many of the deficiencies consequent upon the application of these categories that have been diagnosed above..."

<sup>12</sup> "Islamic governance was productive of subjectivities that were paradigmatically Shar'i based... Their distinction between – and the segregation of – the legal and the moral indeed constituted the first act in the emergence in nineteenth century colonial Europe of the academic subject of 'Islamic law.'" Wael Hallaq, *The Impossible State*, 111.

<sup>13</sup> "Ultimately law was the systemic hallmark of submission to the Lord of the World, Rabb al-'Alamin, who literally owns everything – everything being, after all, created by Him. Technically, therefore, law becomes subservient to, and dependent on, the mother science of theology which established not only the existence, unity and attributes of God, but also the 'proof' of prophecies, revelation, and all the fundamentals of religion." Wael Hallaq, *Shari'a: Theory, Practice, Transformations*, 79; Sami Al-Daghistani, "Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought," 401.

economic conduct within the field of theology, Sufism, and overall Qur'anic epistemology. For them, *fiqh* was not separate from the moral values of the Qur'an.<sup>14</sup>

The epistemological differences between premodern and modern conceptualizations of *Sharī'a* (which also affected the nature of economic thought in Islam) occurred during the colonial occupation of the Middle East region during the 19<sup>th</sup> century, which had a direct impact on the governmentality and reforming of Muslim societies.<sup>15</sup> Unlike military interventions, the economic and political reshaping of colonized societies generated an epistemological rupture in the social order, education, and knowledge, for it re-constitutionalized subjects as citizens. The 19<sup>th</sup> century was transformative for the sociology of knowledge of those societies, since the transformation meant a form of forced "progress" especially in the domain of politics, law, and sciences.<sup>16</sup> In order to reassess economic thought in Islam and the kind of role in which morality plays in it, the nature of *Sharī'a* has to be determined – meaning, that *Sharī'a* not only regulated the subject but also what kind of behavioural patterns (in relation to economic postulates) it reckoned. If *Sharī'a* is nowadays defunct, since it has been replaced by Western codes and laws, it serves only as a "moral resource." Yet, unlike Western laws which are coercive systems, *Sharī'a* was primarily a moral project from the very beginning, drawing upon historical precedence. While law as understood in modern times contains systematic rules as something that is external to it, *Sharī'a* in its core encapsulates morality as something that is inherent and achieved through the technologies of the self.<sup>17</sup> As such, *Sharī'a* does not only "regulate" human behaviour and deeds, but is first and foremost inextricably linked to one's *niyya* as intention, striving, intent, and predisposition. The differentiation between *Is* and *Ought* which is evident on the epistemological level in the West pertains to the rise of the legal and the political.<sup>18</sup> "The scholars who created the knowledge that is 'Islamic law' and whose measure of legal culture is

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<sup>14</sup> "...economic life, however messy, was regulated not only by technical Sharī'a rules but also by a pervasive Sharī'a ethic." Wael Hallaq, *The Impossible State*, 10.

<sup>15</sup> For examples of Malaya, Egypt and British India, see Iza Hussin, *The Politics of Islamic Law* (Chicago and London: University of Chicago Press, 2016), 151-153.

<sup>16</sup> "... the doctrine of progress is the brainchild and handmaiden of the modern conception of history." Wael Hallaq, *The Impossible State*, 16. See also Christopher Dawson, *The Making of Europe* (New York: Meridian Books, 1956); see also Iza Hussin, *The Politics of Islamic Law*, 209-235.

<sup>17</sup> "Islamic governance was squarely the product of Islamdom, of the total historical experience of Islamic culture, values, and weltanschauungs, however varied within the tradition these experiences may have been. Constitutive of the difference is the absence from the Islamic paradigm of a monarch or state that controlled legislation. The 'legislative' in Islam did account for the ruler and for a certain reality of politics, but it was not the product of politics or the political." Wael Hallaq, *The Impossible State*, 110. See also the whole of chapter five (98-138) as well as Michel Foucault, "Technologies of the Self," in *Ethics, Subjectivity, and Truth*, ed. P. Rabinow (New York: The new Press, 1994), 223-251.

<sup>18</sup> "The political is not a distinct filed of power relations, nor is it just matter of politics, economy, ethics, or science. The political is an all-encompassing, pervasive phenomenon that intrudes upon all fields, upon existence itself." Wael Hallaq, *The Impossible State*, 75, 80-82, 90.

on imbued with the intrusive and ubiquitous agency of the state found incomprehensibility deficient a 'law' that not only seamlessly meshed with morality but depended on morality for enforcement."<sup>19</sup> Infusing religion, which was viewed as a theological and moral force, with the force of law foreclosed the perception that religion was based on moral terms.

## 2.1. Islamic Conceptions of the Modern State

*Sharī'a* has often been conflated with the law of the Ottoman Muslim lands, known as *qanūn*.<sup>20</sup> According to Griffel, many perceive *Sharī'a* as a canonized code of law, similar to Western laws.<sup>21</sup> The modern term "law" is as observed by Hallaq

charged with Foucauldian notions of surveillance, inconspicuous punishment, and hegemony over and subordination of the docile subject, all of which mechanisms of control (at the very least) make our modern notion of law, and therefore of morality, quite different from any earlier legal system and therefore from earlier notions of 'law' – those of pre-sixteenth century Europe included. What is 'legal' in the Qur'ān and in the *Sharī'a* that was based on it is also equally 'moral' and vice versa.<sup>22</sup>

New interpretations of *Sharī'a* by Muslim scholars and activists such as Ḥasan al-Bannā, Sayyid Quṭb, Muhammad Iqbal, Abū al-A'ālā Mawdūdī<sup>23</sup> and others called for the integration of *Sharī'a* into state institutions within Muslim countries. Along with the revivalist movement which

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<sup>19</sup> Wael Hallaq, *The Impossible State*, 112.

<sup>20</sup> "Islamic law, on the other hand, runs counter to the great majority of the code's attributes. First, Islamic law did not lay any claim to exclusive authority. In fact, it depended on the cooperation of customary and royal law (*siyāsa shar'iyya*), the former being the systemic prop upon which morality meshed into law as a 'rational' system. Nowhere did Islamic law operate exclusively, and everywhere customary law was entwined with it in the realm of practice. Nor, in this connection, was Islamic law declaratory, in that it never pronounced itself as the bearer of exclusive authority, as having come to replace others in the field. By its hermeneutic and highly individualistic nature, Islamic law was not systematic according to the European perception of the world, although an expert in it might have viewed the matter entirely otherwise. Similarly, from a modern perspective, Islamic law has been described as obscure and complex, unlike the 'clear and accessible' code. While the code is clearly more accessible than treatises of *fiqh*, the argument of clarity is no more than a relative one. An expert in *fiqh* may find it as clear as the modern lawyer finds the code. Admittedly, however, Islamic law cannot be said to have internal uniformity, since plurality of opinion – the so-called *ijtihādīc* pluralism – is its defining feature par excellence." Wael Hallaq, "Maqāṣid and the Challenges of Modernity," *Al-Jāmi'ah*, Vol. 49, No. 1 (2011): 24.

<sup>21</sup> On the modernization of traditional religious learning and its transformed of the Islamic law see Aria Nakissa, "An Epistemic Shift in Islamic Law: Educational Reform at al-Azhar and Dār al-'Ulūm," *Islamic law and society*, 21 (2014): 209-251. On the modernizing of the Middle East, the role of *Sharī'a* therein and islamists' turn see Wael Hallaq, *Introduction to Islamic Law* (Cambridge: Cambridge University Press, 2009), part two.

<sup>22</sup> Wael Hallaq, *The Impossible State*, 83, 113.

<sup>23</sup> See Maududi, *Islamic Law and Constitution*, 40 ff.

advocated the inclusion of *Sharīʿa* into the daily lives of Muslims, their sociopolitical struggle consequently encouraged the re-evaluation of economic life of Muslims, which was however aligned with the modernist tradition.<sup>24</sup> The idea of the caliphate was reinterpreted as the supreme instance of policymaking – central to Islamic community, yet compatible with the nation-state.<sup>25</sup> Politically, legally, and structurally, this culminated in a hybrid system of a utopian Islamic society.

The ubiquitous perception of Islamic law as *Sharīʿa* stems from the dichotomization of the concept of law from morality. The problem of reading *Sharīʿa* as both Islamic law derived from Qurʾanic morality and a separate entity emanates from Western intellectual discussions and later Orientalists' appropriation of such binaries and paradigms.<sup>26</sup> In premodern Islamic tradition, however, the moral and the legal were not dichotomized and were interwoven into the Qurʾanic fabric of a worldview. Hallaq states that “the conceptual and linguistic transformation that occurred within the Enlightenment was to be more or less replicated about a century or two later in *modernized* Islam.”<sup>27</sup> It has been well documented that with the onslaught of colonialism, the institution of *Sharīʿa* was marginalized and gradually diminished due to its importance in the lives of Muslims as one of the central paradigms in Islam. This has resulted in the replacement of *Sharīʿa*-related laws “with statutory laws of nonIslamic origin.”<sup>28</sup>

Moreover, the idea of the concept of Islamic state has re-emerged along with the discourse of the revival of political Islam and Islamic economics,<sup>29</sup> and was seen as the alternative to the

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<sup>24</sup> “The three key authors in the autochthonous making of a ‘generic Islam’ of reform, al-Afghani, ‘Abduh and Rida, were all active in restating motifs of the Enlightenment, Romanticism and Positivism.” Armando Salvatore, *Islam and the Political Discourse of Modernity* (Reading, UK: Ithaca Press, 1997), 85.

<sup>25</sup> Armando Salvatore, *Islam and the Political Discourse of Modernity*, 87.

<sup>26</sup> The very culture in which this dichotomy is embedded has been generated through certain philosophical discourse. See Descartes, *Discours de la Méthode et Essais*, ed. Marie Beyssade and Denis Kambouchner, 3 Vols. (Paris: Gallimard, 2009); Carl J. Friedrich, *The Philosophy of Law in Historical Perspective* (Chicago: University of Chicago Press, 1963); Alasdair MacIntyre, *A Short History of Ethics* (London: Routledge, 1998). On the critique of the dualism between *is/ought* see Friedrich Nietzsche: *Sämtliche Werke*, Hrsg. Giorgio Colli und Mazzino Montinari (Berlin und New York: de Gruyter, dtv, 1967); Covertly, on the notion of the Qurʾan as primarily structure for moral law in Islamic history see Wael Hallaq, “Groundwork of the Moral Law: A New Look at the Qurʾan and the Genesis of Shariʿa,” *Islamic Law and Society* 16 (2009): 239-279.

<sup>27</sup> Wael Hallaq, “Groundwork of the Moral Law: A New Look at the Qurʾan and the Genesis of Shariʿa,” 257; see also Thomas Bauer and his theory of Islam as a culture of ambiguity in relation to how Cartesian philosophy and worldview via the colonization shaped a modern Islamic vision of fields of knowledge, including law.

<sup>28</sup> Hashim Kamali, *Shariʿa Law: An Introduction*, 233; Hallaq states that “... Islamic law and the nation-state operated in two opposing directions, the latter compelling and pushing towards an exclusive and ultimate center, and the former demonstrably centrifugal. As typical of Islamic structures (evident in social organization, urban and rural economic organization, mosque architecture, and premodern dynastic bureaucracies), the law operated horizontally, so to speak. Aside from judicial appointments which were nominally, if not symbolically, hierarchical, the administration of justice was largely, if not exclusively, limited to the self-structured legal profession.” Wael Hallaq, “Maqāṣid and the Challenges of Modernity,” 19.

<sup>29</sup> For more on the revival period in Islam and the economic discourse, see the Chapter One of this thesis.

abolished caliphate.<sup>30</sup> Al-Na'im and Hallaq have shown that if the modern nation-state entails an antiphonic problematic for the Muslim realization of their socioeconomic lives, then the concept of an Islamic state is a fallacy and impossibility.<sup>31</sup> While al-Na'im distinguishes between state and politics and claims that the ultimate neutrality of the state is impossible, he calls for a secular state and not for secularizing society.<sup>32</sup> "Islamic law was in the premodern period not an elitist enterprise disconnected from the general public; nevertheless, access to rule-making and rule-giving was procured for those who mastered the scriptural sources and customary laws."<sup>33</sup> Even if some scholars claim that Islamic law is compatible with the modern state,<sup>34</sup> as long as the preservation of *maṣlaḥa* exists,<sup>35</sup> the restructuring of the moral fiber of an individual inevitably involves rethinking the concept of the modern state. In the premodern time the Islamic authority

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<sup>30</sup> Rulers of the Islamic nations have always promulgated statutory laws and regulations based on their prerogative of *siyāsa*, since after colonialism *Shari'a* left a legal void. However, it was argued that the practice of *siyāsa* was, by consequence, in accordance to *Shari'a*. and could hence be considered "Islamic." Kamali notes that "Although dawlah Islamiyyah has been with us for about a century, it seems to have had a checkered history, as no consensus has yet emerged over the definition and basic requirement of an Islamic state. Somewhat like the caliphate, dawlah Islamiyyah also lacked a textual basis in the Shari'ah, but unlike the former, for which a precedent had existed, dawlah Islamiyyah lacked even that, and controversy over it has persisted even in Iran and Pakistan (and more recently Afghanistan) which have formally embraced the idea. The history of state and government in Islam has known a variety of nomenclatures, including caliphate, imamate, sultanate and emirate, which, however, did not include dawlah Islamiyyah. Was this an accidental exclusion, or indicative perhaps of an understanding that religion and state, although related entities and concepts, were not necessarily an extension of one another?" Hashim Kamali, *Shari'a Law: An Introduction*, 242.

<sup>31</sup> See Hallaq's argument in *The Impossible State*.

<sup>32</sup> Despite his defense for a secular state, he does have certain reservations on secularism: "Secularism does not mean the exclusion of religion from the public life of a society, though the misconception that it does is one of the reasons many Muslims tend to be hostile to the concept" (page 36). Further, "It is true that secularism is not morally neutral, as it must encourage a certain civic ethos to achieve its own objective of separation of religion and state" (page 37). "Secularism, defined to mean only the separation of religion and state, is therefore incapable of meeting the collective requirements of public policy. Moreover, such separation by itself cannot provide sufficient guidance for individual citizens in making important personal choices in their private lives or public political participation. In addition, secularism as simply the separation of religion and state is not sufficient for addressing any objections or reservations believers may have about specific constitutional norms and human rights standards" (page 38). "The principle of secularism, as I am defining it here, includes a public role for religion in influencing public policy and legislation, subject to the requirement of civic reason," (page 38). In one of his key statements in which he conceives an already pre-confined notion of secularism, al-Na'im proposes a subservient and subjunctive role of religion-based civic reasoning in relation to the state. However, in defense of religion-based reasoning, the secular state can be neither Christian nor Muslim, and by the same token it ought to be neither Marxist, nor utilitarian, for instance. For a critique of pervasive understanding of secularism and the secular project see Saba Mahmood, *Religious Difference in a Secular Age: A Minority Report* (Princeton: Princeton University Press, 2015); Saba Mahmood, "Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation," *Public Culture*, 18:2 (2006): 323-347; Charles Taylor, *A Secular Age* (Cambridge, Massachusetts, and London, England: The Belknap Press of Harvard University Press, 2007).

<sup>33</sup> Sami Al-Daghistani, "Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought," 400.

<sup>34</sup> See Abdullahi Ahmed Al-Na'im, *Islam and the Secular State: Negotiating the Future of Shari'a*, (Harvard University Press, 2008) 84-85, 112.

<sup>35</sup> On the notion of *maṣlaḥa* in economic thought see below and also Ṣubḥī Rajab Maḥmaṣānī, *Falsafat al-Tashrī' fī al-Islām* (Beirut: Dār al-'Ilm li al-Malāyīn, 1961).

did not produce *Sharī'a* legal norms (the law) but private specialists did who were seen part of the larger community. In this view, the

Islamic governance (that which stands parallel to what we call “state” today) rest on moral, legal, political, social, and metaphysical foundations that are dramatically different from those sustaining the modern state. In Islam, it is the Community (Umma) that displaces the nation of modern state. The Community is both abstract and concrete, but in either case it is governed by the same moral rules.<sup>36</sup>

In addition, mufti or the legal authority was in Islamic premodern societies “as a rule, a private legal specialist who was legally and morally responsible to the society in which he lived, not to the ruler and its interests.”<sup>37</sup>

## 2.2. Contemporary Convergences of *Siyāsa* as Politics

The integrationist view maintains that *Sharī'a* and *siyāsa* cannot be separated completely, upholding *maṣlaḥa* and *maqāsid* of *Sharī'a* through policy measures. Since *maṣlaḥa* and *maqāsid* are not confined only to temporal affairs, it follows that *siyāsa shar'īyya* also extends to both temporal and religious matters. As we have seen, *siyāsa shar'īyya* was regularly in premodern times equated with the laws and associated with religious norms and values. Once it became delinked from criminal laws – after the 1900s – it was disassociated with penalties, and began playing a stronger role in public administration and the economic realm.<sup>38</sup> This prompted the idea of applying the concept of *siyāsa* in the political domain in general, while often being analyzed together with *maṣlaḥa*. “In this process *Sharī'a* came to be distinguished from *fiqh*, jurist law, to be defined in more abstract and universal terms.”<sup>39</sup> The modern nation-states substituted *Sharī'a* law with European-inspired penal codes and laws, and “replaced the personal concept of governance, and bestowed upon the institution of state complete sovereignty as embodiment of the nation.”<sup>40</sup> This led to questions concerning the legality and authority of governance.<sup>41</sup> Muslim

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<sup>36</sup> Wael Hallaq, *The Impossible State*, 49.

<sup>37</sup> Wael Hallaq, *The Impossible State*, 53.

<sup>38</sup> Muhammad Khalid Masud, “The Doctrine of *Siyāsa* in Islamic Law,” 20.

<sup>39</sup> Muhammad Khalid Masud, “The Doctrine of *Siyāsa* in Islamic Law,” 21.

<sup>40</sup> Muhammad Khalid Masud, “The Doctrine of *Siyāsa* in Islamic Law,” 22.

<sup>41</sup> In the premodern period the legality of the ruler was based on the notion of *maṣlaḥa* as public good, whilst in the modern period the legality of the rule is conducted through the state and law-induced entity. “The victory of the nation-state was not only one of displacing Islamic law, but also one which entailed the “reordering” of Muslim social structures. The Muslim believer had to be converted into the ‘good national citizen.’ The rest is legal history.

revivalists also addressed the relation between *siyāsa* and *Sharī'a*, and at the turn of the century, they became interested in the political leadership of the colonial states.

Whereas in the 1880s, the term “shari’a” tended to refer to an Islamic way of life, rather than positive law or the work of legislation, by the last years of the nineteenth century the focus had shifted to explicit criticism of the encroachment of European law within the Egyptian legal system. By the 1930s, shari’a had become symbolically central to the political platforms of Muslim reformists, anticolonialists, and many Muslims within the state structure, in Egypt, India, and the Malay States. With the establishment of the nation-state in the postindependence period, shari’a had become transformed – *siyasa shar’iyya*, as state shari’a politics – as codified law in a limited but symbolically central domain.<sup>42</sup>

*Sharī'a* is flexible when it comes to governmental policy, taxation, and economic activities. Since it provides only guidelines it depends on scholar’s discretion in exercising *ijtihad*,<sup>43</sup> in addition to the fact that the concepts of state and law had to be developed by the Muslim community.<sup>44</sup> The rationale behind the Islamic economic system for many contemporary scholars is the value of the scriptural sources and modern economic theories. Yet, as no human endeavour is value-free, this implies that economic reality, if not thoroughly examined, can appear as ideologically constructed, leading us to the concept of the Muslim nation-state.

Modern European nation-state is grounded in the idea of secularism as a separation of church from state, in the political philosophy of liberalism, and in legal monism.<sup>45</sup> The latter

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The nation-state’s jural *modus vivendi* was codification, a method that entails a conscious harnessing of a particular tool of governance... Codification is a deliberate choice in the exercise of legal and political power, a choice that at once accomplishes a multitude of tasks. The most essential feature of the code is the production of order, clarity, concision and authority.” Wael Hallaq, “Maqāsid and the Challenges of Modernity,” 22-23.

<sup>42</sup> Iza Hussin, *The Politics of Islamic Law*, 177.

<sup>43</sup> Kamali, *Sharia Law: An Introduction*, 50.

<sup>44</sup> Baber Johansen, *The Changing Limits of Contingency in the History of Muslim Law*, 3.

<sup>45</sup> “... modern secularism emerged in the seventeenth century as a political solution intended to end the European Wars of Religion by establishing a lowest common denominator among the doctrines of conflicting Christian sects and by defining a political ethic altogether independent of religious doctrines... In this narrative, both the ethics of religious tolerance and freedom of conscience are considered to be goods internal to the doctrinal separation that secularism institutes between operations of the state and church, between politics and religion. The assumption is that the state, by virtue of its declared neutrality toward specific religious truth claims, makes religious goals indifferent to the exercise of politics and, in doing so, ensures that religion is practiced without coercion, out of individual choice and personal assent... Insomuch as liberalism is about the regulation of individual and collective liberties, it is the principle of freedom of conscience that makes secularism central to liberal political philosophy in this account.” Saba Mahmood, “Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation,” *Public Culture*, Vol. 18, No. 2 (2006): 324; see also Charles Taylor, “Modes of Secularism,” in *Secularism and Its*



perceives law as a product of coercive powers of the state. Therefore, a modern Islamic nation-state is a contradiction in terms.<sup>46</sup> Precolonial, that is premodern Islamic legal tradition, nurtured legal pluralism, allocating both “state-like” and non-state laws that worked interdependently, including *siyāsa* and *fiqh* translated as *Sharī‘a* rules. Traditionally, *siyāsa* was enacted to both further and improve social relations in light of the notion of the public good – this included questions crucial to the modern understanding of economics, taxes, market inspection, and other mechanisms, whereby rulers through *mazālim* courts adjudicated various disputes. *Siyāsa* and *fiqh*, or the collective enterprise of *Sharī‘a*, aimed to protect members of society from rulers’ misconduct, coercing rulers to act in accordance with the structure of the moral law. The Islamic economists believed it was necessary to discredit the market mechanism, if not totally discard it. This created vacuum needed to be filled by either an overwhelming reliance on government, or by an Islamic economic agent, who is supposed to be “perfectly imbued” with the values of Islam.<sup>47</sup> However, the modern Islamic states, which includes Indonesia, Pakistan, Iran, and others, rarely implement the historic separation of *siyāsa* and *fiqh*, and of *Sharī‘a* and the state. For many Islamic economists, “in their zeal to advance this hypothesis – of an all-pervading state – as a fundamental ingredient of an Islamic economy, some of the writers do not even feel it necessary to draw a distinction between the state and economy. For them, an Islamic economy is simply an extension of the Islamic state.”<sup>48</sup> Establishing economic and financial systems on the conditions of a nation-state, presupposes an approach against which initially Muslim scholars contested in their writings.

In relation to state policy, political economy, as the study of state-economy relations, is in the case of contemporary Islamic economics practically nonexistent. This says a great deal about the stalemate facing Muslim scholars and countries with the functioning of their economic theories and policies, respectively. State power, international relations, and global economic paradigms of neoliberal capitalism continue to carry profound consequences for the restructuring of economic development in Muslim countries. Pakistan, Iran, Saudi Arabia, and other Muslim majority countries, are directly involved in the process of acquisition of capital through business enterprises and corporations, which are not regulated by Islamic economic predicaments.

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*Critics*, ed. Rajeev Bhargava (New Delhi: Oxford University Press, 1998), 31-53; on the modern binary of secular vs. religious see Armando Salvatore, *The Sociology of Islam* (Sussex, UK: Wiley Blackwell, 2016), 8; on the emergence of the nation-state and the adoption of Islamic law as the state law see Shahab Ahmad, *What is Islam?*, 530-531.

<sup>46</sup> See Wael Hallaq, *Sharī‘a*, 360.

<sup>47</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 7.

<sup>48</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 8.

*Sharī'a* begins with the self-realization<sup>49</sup> and self-determination on the path to achieve higher ends. As such, it expounds and overcomes the egoistic self and prompts the devout good<sup>50</sup> that corresponds with the inner strivings of man. *Sharī'a* therefore extends beyond the legal limits of economic contracts, and concentrates around the behaviour of the philosophy of man. Understanding *Sharī'a* as a moral method in establishing human spiritual advances, humankind's well-being, and his social life. However, this cannot take place through modernity's encroachment of the state, since "by its nature and purpose, *Sharī'a* can only be freely observed by believers; its principles lose their religious authority and value when enforced by the state. From this fundamental religious perspective, the state must not be allowed to claim the authority of implementing *Sharī'a* as such."<sup>51</sup> *Fiqh* rules cannot address all economic issues, and even if Islamic jurisprudence regulates the practices of Muslims in how they perform their economic conduct, it ought to allow for the re-evaluation of theoretical ideas and ethical patterns provided by the generation of early and medieval Muslim scholars to be implemented in the process. Hence

it is not enough for jurisprudence to seek Qur'anic judgements and solutions to new problems, it must also seek to understand the deepest foundations of these judgements and solutions. This perpendicular search is as much of the jurist's task as the horizontal search. The Muslim jurist has a duty to do what is in his utmost human capacity to 'make the Qur'an speak' on an ever-wider level, and an ever-deeper level. This duty can be fulfilled through the use of unitary interpretation.<sup>52</sup>

### 3. Critiquing the Discipline of Islamic Economics

<sup>49</sup> Mouhanad Khorchide, *Scharia – der missverstandene Gott*, 195-197.

<sup>50</sup> See Qur'an 3:104; 9:67, 71 112; 22:41; 92:17; 2:272; 13:22; 67:2; 2:57; 5:88; 6:142; 7:50; 8:26; 16:72; 40:64, and Toshihiko Izutsu, *Ethico-Religious Concepts in the Qur'an* (Montreal: McGill-Queen's University Press, 2002); on the notion of performing good (*ya 'malūn al-ṣāliḥāt*) see Qur'an 2:25, 62, 82, 277; 3:57; 4:57, 122, 173; 5:9, 69, 93; 7:43; 10:4, 9; 11:11, 23; 13:29; 16:97; 18:30, 88, 107; 19:60; 20:75, 82; 25:70, 71; 28:67, 80; 30:44; 45:15; for corresponding terms e.g. *aslaḥa*, (to become good), *fasad* (doing ill), *taqwa* (piety) and *imān* (faith), see 2:184; 3:30, 115; 16:97; 18:30; 35:7; 41:8 in Wael, Hallaq, "Groundwork of the Moral Law: A New Look at the Qur'an and the Genesis of Shari'a," 266.

<sup>51</sup> Abdullahi Ahmed Al-Na'im, *Islam and the Secular State*, 4.

<sup>52</sup> Muḥammad Bāqir al-Ṣadr, *Durūs fī 'Ilm Usūl al-Fiqh* (Beirut: Dār al-Kitāb al-Lubnānī, 1978), 29-33 in Aref Ali Nayed, "The Unitary Hermeneutics of Muhammad Baqir al-Sadr," *Islamic Studies*, Vol. 31, No. 4 (1992): 446.

The modernists promoted the call of Islam in light of modernism by accepting European notions of socioeconomic and political development.<sup>53</sup> The making and discovery of Islamic economics occurred through envisioning Islamic society within the parameters of an emerging Islamic state rooted in Western-influenced modernization process. It is therefore not a coincidence that the foremost Muslims economists were found primarily in Pakistan and Malaysia. The making of Islamic economics, however, was found on the epistemological predicaments of positivist sociology and science,<sup>54</sup> for the design of Islamic economics was seemingly based on Islamic identity – that would challenge the materialist philosophy of socialism – which, paradoxically, enhanced the materialist philosophy of capitalism.<sup>55</sup>

Islamic economics as a discipline combined positive and normative economics,<sup>56</sup> but its teachings rarely reflected the economic reality in the Muslim-majority countries, despite the fact that Islamic law was to accommodate various economic instruments such as property rights, and other institutional changes from the 18<sup>th</sup> century onwards.<sup>57</sup> What is presented as Islamic economics is in essence a set of ethical theories related to modern economic theory, mechanisms and concepts such as production, distribution of wealth, demand and supply, and so forth. It has drawn on abstract models of economic development, disjointed from the real-life societies. Although appearing as an alternative system to the discourse of modernity according to its textual and religious sources (albeit concerning its economic philosophy), it still follows neoclassical, Keynesian economics.<sup>58</sup>

### 3.1. Amalgamation of Religious and Mainstream Economic Systems

One of the consequences of generating Islamic economics within the confinements of economic theories of modernity is the growth of Islamic economic and financial centers in industrialized

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<sup>53</sup> Syed Farid Alatas, “Islam and Modernization,” 215.

<sup>54</sup> See Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (New York: St. Martin’s Press, 1962).

<sup>55</sup> Even though Timur Kuran provides many valid points of critique, he unjustifiably designates Islamic economics as a fundamentalist doctrine, due to its reliance on traditional sources. See Timur Kuran, *Islam and Mammon* (Princeton: Princeton University Press, 2004), 4-5.

<sup>56</sup> By positive economics, I refer to “the forces that regulate the economy. It raises such questions as how the economy works, what factors determine the distribution of wealth, and so on,” whereas normative economics “is suggestive; it explicitly concerns with what ought to be” and integrates also ethical considerations. Waleed Addas, *Methodology of Economics: Secular vs. Islamic*, 110.

<sup>57</sup> Muslim economists based their theories on apologetic delineations of social theory and financial institutions. Syed Vali Reza Nasr, “Islamic Economics: Novel Perspectives,” *Middle Eastern Studies*, Vol. 25, No. 4 (1989): 517.

<sup>58</sup> See e.g. Syed Farid Alatas, “Islam and Modernization,” 216; idem, “The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse,” *Archives de sciences sociales des religions*, 40e Année, No. 91 (1995): 94-95.

capitalist institutions of the contemporary Muslim world. In theory, anti-Western, anti-capitalist, and anti-materialist Islamic economic philosophy was co-opted by the very narrative it allegedly fought against several decades ago. “Muslim economists eloquently critique greed and consumerism to distinguish between spiritual values and egoistic preferences, but this does not by itself address the distinction between Islamic and neoclassical economic theories.”<sup>59</sup> The methodology of contemporary Muslim scholars was not clear, since they defined Islamic economics as a *Sharī‘a* based, *fiqh*-stipulated discipline,<sup>60</sup> conceived within social sciences, which was “about a model economy that did not exist in the real world.”<sup>61</sup> And “because of a preponderance of *fiqh* (Islamic jurisprudence) contents in them [Islamic economics], the enterprise has been viewed as an internal Islamic affair.”<sup>62</sup> Hence, Muslim economists found themselves primarily engaging with an undefined discipline. Coupling Islamic economics with Islamic law did not yield long-term or epistemologically-sound results in that it would meticulously analyse the intellectual history and capacity of classical Muslim scholars of economic teachings in Islamic tradition. The insufficient theoretical frame of Islamic economics is a result of an intellectual trauma of Muslim communities, which was exacerbated by the political domination of the West and its destruction of educational and other institutional centers. In addition, only some data exists attesting to Islamic economic postulates. Muslim economists rarely explained and analyzed the discipline of Islamic economics in relation to the epistemic value and the meaning behind the concept of *Sharī‘a*’s moral outlook. Their methodology is being tedious and presumptuous, for it presupposes the existing structure of conventional economics.

Great expectations were attached to the idea of “Islamic economics” by its exponents at the time the venture was launched some four decades ago. They thought of themselves as embarking on an intellectual endeavor that aimed at nothing short of presenting an entirely new paradigm in the field of economic thought, and they were quite convinced that once the new paradigm established its roots, it would usher in a Kuhnian paradigm shift in the existing discipline of economics. And, regardless of how it might be received in the established circles of economics, it was at any rate supposed to represent an unparalleled development in the Islamic sciences, for hitherto these did not possess a

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<sup>59</sup> Waleed El-Ansary, “The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory,” *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 169.

<sup>60</sup> For various definitions, see e.g. Zarqa, Khan, Siddiqi, Naqvi, Chapra.

<sup>61</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 4.

<sup>62</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 2.

distinct and well articulated body of economic thought at par with the contemporary Western economic literature.<sup>63</sup>

Tripp maintains that an empirical claim has been made suggesting the equation of Islamic and capitalist economic system. The issue is that

this terrain was not marked out by any of the individual writers or by a distinctively Islamic tradition. On the contrary, it is defined by the dominant discourse of the discipline of economics as it emerged in Europe. It is against this that the singularity and superiority of the Islamic economy is being asserted. Regardless of possible quantifiable comparisons which may not favour the Islamic alternative, this argumentative strategy runs the danger once again of dissolving the specificity of 'Islamic economics'.<sup>64</sup>

Attempting to counter colonial structure and economic discourse, Muslim economists of the 20<sup>th</sup> century have confined Islamic economics to a legal and ethical terminology and specificity, while, in practice, they have gradually implemented it into a global economic paradigm of lucrative market-economy through the web of Islamic finances and banking. Analyzing Islamic economic system according to the same criteria, like any other secular economic system, raises the question of how is it possible to diverge its role as a functioning economic system from its role as the reinforcer of a distinctively Islamic ethos.<sup>65</sup> The vision of a just and effective alternative to capitalism, whether presented as secular or Islamic socialism, appeared to be wearing thin, both in the Islamic world and beyond, throwing into doubt many of the assumptions upon which an alternative global economic order had been based.

For many Muslim intellectuals, this became an imaginative device to develop an alternative order, founded on Islamic principles, which would depend neither on the state nor on exhortations to social solidarity of the kind that had been pressed into the service of the socialism of the secular left." On the contrary, Islamic economics engaged directly with the key issue of the moral economy – treating it not simply as an ethical enterprise, but also as an economic one. The ambitious task was the construction of the model of an

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<sup>63</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 1.

<sup>64</sup> Charles Tripp, *Islam and Moral Economy*, 116.

<sup>65</sup> See Sayyid Vali Reza Nasr, "Islamic economics: novel perspectives on change in the Middle East," *Middle East Studies*, Vol. 25, No. 4 (1989): 516-30; idem, "Towards a philosophy of Islamic economics," *The Muslim World*, Vol. 77, No. 3-4 (1987): 175-96.

economic order based on distinctively Islamic principles, which would also be successful materially, competing with the apparently all-devouring ethos and apparatus of capitalist enterprise in the twentieth century.<sup>66</sup>

The concern of Islamic economics as being encumbered with the growth of mainstream economic narrative<sup>67</sup> across the Middle East (and South Asia) is accompanied by the political developments in the region. The imitation of the so-called Western industrialized societies and the economic and scientific criteria appear to be a structural pattern. What is missing is spiritual-moral restructuring of society, since economic ideas and structures do not flourish independently from social, cultural, and broader historical structures in which they are embedded. This portrays an understanding of a distinctively economic development that is influenced by the discourse of mainstream economics and by the historical trajectory of the industrialized countries.<sup>68</sup> By the 1990s, this had developed into the justification of an Islamic economic theories that were unmistakably neoliberal in their underlying rationale<sup>69</sup> – this includes the functioning of Islamic financial centers, and in the argument that free competition and the prohibition of monopoly are central to any truly Islamic economy. Religious scholars and Muslim economists, in spite of their differences, sought the opportunity to create a distinct field of knowledge and economic domain, while engaging with the already established discourse of secular economics. The very concepts and methods utilized by Muslim economists were, apart from the Islamic terminology and religious sources, incorporated into the existing scheme of economics that emerged – as did the modern nation-state – as a particularly European experience.

For Timur Kuran, what indeed distinguishes Islamic economics from mainstream economic systems is severalfold perspective based upon prohibition of interest, *zakāt* as a redistribution system, and Islamic moral values based on the sources of Islam.<sup>70</sup> Yet, for Kuran Islamic economy was established on shaky grounds as to “defend Islamic civilization against foreign cultural influences”<sup>71</sup> and not necessarily to provide social benefit for society as a whole, or to tackle economic injustices.<sup>72</sup> Either Islamic financial institutions became the institutions of

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<sup>66</sup> Charles Tripp, *Islam and Moral Economy*, 103.

<sup>67</sup> Abbas Mirakhor, *A note on Islamic Economics*, 7; Syed Farid Alatas, “Islam and Modernization,” 94.

<sup>68</sup> See Rashid al-Barrawi, *Al-Iqtisād al-Islāmi* (Cairo: 1986).

<sup>69</sup> Charles Tripp, *Islam and Moral Economy*, 115.

<sup>70</sup> Timur Kuran, “Islamic Economics and the Islamic subeconomy,” *Journal of Economic Perspectives*, Vol. 9., No. 4., (1995): 156-157.

<sup>71</sup> Timur Kuran, “Islamic Economics and the Islamic subeconomy,” 156.

<sup>72</sup> See Timur Kuran, “The Discontents of Islamic Economic Morality,” *The American Economic Review*, Vol. 86, No. 2 (1996): 438-443; idem, “Further reflections on the behavioral norms of Islamic economics,” *Journal of Economic Behavior and Organization*, Vol. 27 (1995): 159-163.

national economies, such as the banking system of Iran and Pakistan, or they developed as private financial and banking institutions in the 1970s.<sup>73</sup> Al-Ṣadr's book on Islamic banking proposed the idea that the foundation of Islamic economics is the individual Muslim, as a moral and an economic agent,<sup>74</sup> with which the interest-free banking assisted in creating an image of an Islamic agent or personality. Since the understanding of Islamic economics as an alternative economic system was about a moral struggle, hence the individual of an idealized Islamic ethical order becomes a focus of the economy. The (theoretical) rejection of capitalism became for some Muslim scholars a rejection of market economy because capitalism was equated with market system.<sup>75</sup> Conventionally economics has not thought to explicate distinction between capitalism and market economy, as Islamic economists discredited the market economy and filled the vacuum with state government intervention to achieve the Islamic economic agent (*homo islamicus*).<sup>76</sup> However, the so-called Islamic economic agent of *homo islamicus* became an ideal construct that would affirm the application of distinct characteristics of Islamic economy within a given social order of a nation-state. The Islamic personality, however, cannot be attained within the web of economic parameters that are factually neoclassical.

It is a projection onto the abstracted individual of the qualities of that order, its values and its characteristics... In fact, the notion of the 'Islamic personality' is an ideal construct, an argumentative device to allow the reconciling of apparently contrary currents. It was bound to reflect the preoccupations of those concerned about capitalism and socialism.<sup>77</sup>

In actuality, Islamic banks did not pose a threat to commercial finances and capital markets, which is encapsulated in global capitalism, but instead they “have attracted those who felt morally uneasy about conventional, interest-based banking and whose sense of propriety in economic transactions has been better catered for by institutions which avoid interest and invest in activities that are *ḥalāl* under Islamic law.”<sup>78</sup> It is in this regard that Islamic finance in banking

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<sup>73</sup> For more on the social significance on Islamic banking and finance, see Timur Kuran, *Islam and Mammon*, 56-58.

<sup>74</sup> Muḥammad Bāqir Al-Ṣadr, *Al-Bank al-la-Ribāwī fī al-Islām* (Kuwait: Jami' al-Naqi, 1970).

<sup>75</sup> Muḥammad al-Ghazzālī, *Al-Islām wa al-Manāḥij al-Ishtirākīyyah* (Cairo: Dar al-Kitāb al-‘Arabī, 1954), 92; Muḥammad Bāqir Al-Ṣadr, *Iqtisādunā*, 7. “It was for Islam to remind people of the spiritual aspect of existence, filling the void left by these two materialist philosophies. Such a position was also important as a means of asserting that Islam was of relevance to the situation of contemporary society and was therefore capable of engaging with – and of refuting – the dominant ideologies that so marked the world of the late twentieth century.” Charles Tripp, *Islam and Moral Economy*, 98-99.

<sup>76</sup> Rauf A. Azhar, *Economics of an Islamic Economy*, 7.

<sup>77</sup> Charles Tripp, *Islam and Moral Economy*, 122.

<sup>78</sup> Charles Tripp, *Islam and Moral Economy*, 146; Timur Kuran, “The Economic System in Contemporary Islamic Thought: Interpretations and Assessment,” *International Journal for Middle East Studies*, Vol. 18, (1986): 135-164.

has created its own niche and became part of the global economic system, and since there is no conceptual frame and empirical theory of Islamic economics, it remains within the fold of modernist discourse and its epistemological contentions.

### 3.2. Methodological Flaws and Epistemological Inconsistencies

Since the majority of Muslim scholars on Islamic economics invoke methodology based on Islamic religious tenants as well as the secular economic systems, their writings and their methodologies are rarely critically contextualized within the broader disciplines of the social sciences, humanities, and religion. The fact that Muslim intellectuals had to adapt to the existing economic ideas and concepts obliged them to engage with the discipline of economics itself. Those concepts “were closely connected to the changes in European society brought about by the intellectual and industrial revolutions which they were used to explain. Whether critical or not of the values of these processes, economists had developed a language appropriate to the emerging imaginative sphere of the economy.”<sup>79</sup>

Many renowned contemporary Muslim scholars on economics share comparable views on ethically imbued economic philosophy of Islam, yet they hold very different stances on the methodology of an Islamic economic project. The *tawhīd* epistemology, supported by Choudhury and others, summons a two-fold concern. Any human activity can be justified to be rooted in the so-called *tawhīdī* or Qur’anic epistemology, since Qur’an stands as the ultimate and the most important textual source of Islam. For Choudhury, the Qur’anic epistemology is encapsulated in the Divine Law, and reflected, too, in economic Islam and financial matters concerning issues of inheritance, purchasing commodities, buying and selling. Yet, such an approach does not address the economic philosophy of the subject. Since the “epistemology of Unity” entails all branches of human knowledge based on the Qur’anic premise of a multifaceted and complete worldview, it presupposes an application of an economic model in an ideal and not real-time Islamic society. Thus far, Islamic political economy has been used as a tool to critique the mainstream economic system and not to provide all-embracing, epistemological and theoretical considerations within the Islamic tradition.<sup>80</sup> Some Muslim economists critique the synthesis of modernist epistemology and Islamic thought,<sup>81</sup> and argue that the authentic Qur’anic epistemology has been

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<sup>79</sup> Charles Tripp, *Islam and the Moral Economy*, 105.

<sup>80</sup> Such a theory deals predominately with the Islamic view of human nature and not specifically with Islamic legal postulates that would explain the former. James Midgeley, review of *The Principles of Islamic Political Economy, and Comparative Development Studies: In Search of the World View*, by Masudul Alam Choudhury, *The Journal of Sociology & Social Welfare*, Vol. 21, No.3 (2015): 229.

<sup>81</sup> Alam Choudhury, “A Critique of Modernist Synthesis in Islamic Thought,” 475.



neglected.<sup>82</sup> However, rooting Islamic economic project solely on the *tawhīd* argument is circular. Further, the mathematization of economic theories is flawed not only in social sciences,<sup>83</sup> but also in Islamic economics since it does not reflect the social and cultural aspects and practices in those societies. Islamic economics contain many theoretical, philosophical, and epistemological concerns that cannot be addressed with mathematical models, since mathematization presupposes a highly skilled language that is accessible only to certain segment of scholars, predominantly those in the natural sciences.<sup>84</sup> This would further set apart mathematical data from epistemological and theoretical analysis.

Even though the discipline of Islamic economics has been approached from an Islamic viewpoint, embedded in ontological and epistemological prepositions,<sup>85</sup> there is an influx of various concepts and ideas that contribute to the confusion in the field. Despite the fact that markets in the Muslim lands were historically organized uniformly to achieve economic efficiency, control of goods, their quantity and quality, Islamic economy is not a free market economy, since markets were structured to accommodate the enforcement of legal percepts with underlying ethical postulates.

For Volker Nienhaus, however, the methodology of Islamic economics is comparable to social market economy, which rests upon the following points.<sup>86</sup> Man only has the right to utilize worldly possessions; wealth can be acquired only through licit means of work and inheritance, for which prescriptions exist; poor and needy are taken care of through the institution of *zakāt* which corresponds to the social welfare.<sup>87</sup> Islamic economics imply that certain institutions that could increase economic development in the Middle East, yet those institutions and mechanisms (e.g. capital markets, labour laws, etc.) did not exist or were ineffective, since their structure was adjusted to the policy reform of the International Monetary Fund.<sup>88</sup> Part of this failure lies in the

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<sup>82</sup> According to Choudhury, the Qur'anic epistemology differs from the pursuits made by Muslim scholars since the latter referred in their works on Hellenic philosophy, Persian, and even Indian thought, whereas the former is premised upon the ethical rules (*ahkām*) from the Qur'anic text itself, incorporating the faculty of reason in the Revelation. Nonetheless, reading the Qur'anic text and its epistemology separately from scholarly consideration, their contributions, and the development of historical intellectual movements, would mean reading this epistemology in a vacuum separated from the social reality in Muslim countries. Alam Choudhury, "A Critique of Modernist Synthesis in Islamic Thought," 476.

<sup>83</sup> Wolfgang Smith, *Cosmos and Transcendence* (San Rafael, CA: Sophia Perennis, 2008), 19.

<sup>84</sup> Alam Choudhury, "A Critique of Economic Theory and Modeling: A Meta-epistemological General-system Model of Islamic Economics," *Social Epistemology: A Journal of Knowledge, Culture and Policy*, 25:4 (2011): 429.

<sup>85</sup> See Abbas Mirakhor, *A note on Islamic Economics*, 9.

<sup>86</sup> Volker Nienhaus, *Islamic Economic System – A Threat to Development?*, 2006, 1-2, accessible online <http://www.iefpedia.com/english/wp-content/uploads/2009/09/Islamic-Economic-System-%E2%80%93-A-Threat-to-Development.pdf>.

<sup>87</sup> *Zakāt* is in theory "a compulsory levy of 2.5 % on assets and 5 % or 10 % on agricultural produce..." Volker Nienhaus, *Islamic Economic System – A Threat to Development?*, 2.

<sup>88</sup> Volker Nienhaus, *Islamic Economic System – A Threat to Development?*, 2.

fact that the Ottoman Empire that reigned throughout the Middle East did not establish sufficient institutions that would accommodate social and economic prosperity, in addition to the fact that *zakāt* was never structurally implemented within an economic system.<sup>89</sup> Nienhaus states that the so-called rigidity of Islamic law did not prevent the blossoming of economy in Islam, whereas Timur Kuran aims to prove the opposite.<sup>90</sup>

Another factor, which is vital in Islamic economic thinking, is *ribā*, which has been contested by the critics of Islamic economics. The economic and legal setup is supportive of implementing the prohibition of *ribā* or excessive usury of a loan. *Ribā* is rendered illicit only for loan (financial) transactions, and not for trade or good transactions resulting in profit. Since trade has always been deeply rooted in Islamic tradition, it required financial structure, therefore also Muslim legal specialists. Yet, the skepticism remains whether legal justification of the Islamic economics and finances addresses societal needs and aspirations, since there is no existing Islamic economy in the Middle East.<sup>91</sup>

### 3.3. The Erroneous Coupling of Islamic Economics with the Social Sciences

Coupling religious worldview with Western social sciences is one of the most fundamental problems of the discipline of Islamic economics. Since the social sciences perceive religion as an intellectually regressive endeavour, Muslim economists have tried to prove the scientific component of Islamic economics by adapting to Western theories of scientific knowledge,

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<sup>89</sup> Compare this with Timur Kuran's claim that Islamic culture failed to produce an institution of cooperation due to the rigidity of Islamic law. Such an approach raises numerous concerns, for the gist of Islamic law was moral essence, based on theological structures. As such, primary concern of Islamic law was not an early form of capital-oriented engagement, but rather the moral fundamentals of human conduct. For the later see Wael Hallaq's critique of Kuran as a flawed analytical project in Hallaq, *The Impossible State*, 212, reference 69. Timur Kuran, *The Long Divergence – How Islamic Law held back the Middle East* (Princeton: Princeton University Press, 2010). For a similar argument see also Volker Nienhaus, "Der Beitrag des Islam zur ethnischen Fundierung einer Wirtschaftsordnung," in *Wirtschaft und Fundamentalismus*, ed. Gerhard Schich (Berlin: Stiftung Marktwirtschaft, 2003).

<sup>90</sup> For Nienhaus there are other more pertinent reasons such as tax farming that was obtain by the Ottoman rulers, which "undermined private property and made it irrational to build-up immobile real assets. Volker Nienhaus, *Islamic Economic System – A Threat to Development*, 3.

<sup>91</sup> "Eine islamische Wirtschaftsordnung ist in keinem modernen Staat der muslimischen Welt praktisch implementiert worden, vielleicht mit Ausnahme von Sudan und Iran. Die heute existierenden Wirtschaftsordnungen sind mehr oder weniger systematische Fortentwicklungen von Systemen, die unter säkularen Vorzeichen nach Erlangung der Unabhängigkeit in Fortsetzung oder (revolutionärer) Überwindung der Systeme der kolonialzeit installiert wurden." Volker Nienhaus, "Grundzüge einer islamischen Wirtschaftsordnung im Vergleich zur sozialen Marktwirtschaft," *Kas Auslandsinformationen*, Vol. 11, 2010, 81.

including the very term “economics.”<sup>92</sup> This, however, was not done without impacting the epistemic value and the ontological status of the discipline of Islamic economics, since both approaches – of coupling Islamic economics with mainstream economic ideas and concepts, and resorting to innovative approach of establishing Islamic economics as a separate domain – share a systemic drawback of splitting the moral norms (*the moral*) of economic thought in Islam from the legal value (*the legal*). This split has been the result of theories that emerged as a response and opposition to the colonization and westernization processes. Muslim revivalists and scholars aimed to generate an ideal economic worldview, while simultaneously following political liberalism. Building an Islamic economic doctrine upon the division of knowledge and disciplines that is prevalent in the West and the European experience of nation-state formations, such theories – while claiming Islamic character – stripped away the possibility of profound analysis and critique of the subject. Contemporary Islamic economics “was epistemologically related through positivist sociology – brought with it many of the assumptions and imaginative reconstructions of individual and society, and of their relation to the material world, which underpin the ethos of the capitalist imaginary.”<sup>93</sup>

Discursively, economics generated a distinct social and scientific universe, which draws upon economic agents to act in accordance with its principles and rational character, such as accumulation of material goods.<sup>94</sup> Economic ideas, behavior, and institutions are hence socially constructed, which might explain why Muslim economists devised a hybrid field.

There was nothing natural about laissez-faire; free markets could never have come into being merely by allowing things to take their course... laissez-faire itself was enforced by the state. The thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy able to fulfil the tasks set by the adherents of liberalism. To the typical utilitarian, economic liberalism was a social project which should be put into effect for the greatest happiness of the greatest number; laissez-faire was not a method to achieve a thing, it was the thing to be achieved... Benthamite liberalism meant the replacing of parliamentary action by action through

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<sup>92</sup> For more see Mohsin S. Khan and Abbas Mirakhor, “The Framework and Practice of Islamic Banking,” *Finance and Development*, Vol. 23, No. 3 (1986): 32 ff; for an analytically faulty claim that the guidelines of Islamic economics are incompatible with modern time, see Rainer Hermann, “Islamisches Recht und Seine wirtschaftspolitischen Implikationen,” in *Wirtschaft und Fundamentalismus*, ed. Gerhard Schich (Berlin: Stiftung Marktwirtschaft, 2003), 75-83.

<sup>93</sup> Charles Tripp, *Islam and Moral Economy*, 104.

<sup>94</sup> Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 2001), 257-258.

administrative organs... While laissez-faire economy was the product of deliberate State action, subsequent restrictions on laissez-faire started in a spontaneous way. Laissez-faire was planned; planning was not.<sup>95</sup>

Conventional economics as a social science draws upon human nature and social imaginary, deriving its epistemology and ontology that are associated with a particular economic system, industrialization, and free market economy. Mainstream economic system, in spite of multiple economic theories, created its own set of criteria and understanding of human nature, according to which it expressed a particular system of value as it emerged in Europe. Perceiving Islamic economics as economic science with Islamic terminological apparatus is indicative of thinking within the set of the existing disciplines, for the concepts and economic principles are already predefined. Even though this disciplinary hybridity was devised to be in theory independent from the neoclassical economic paradigm, it has proven the opposite, due to the absence of the ideal Islamic personality and unique economic model in real-time societies. Furthermore, the positivist logic of economics and the discipline of sociology shaped and transformed Muslim economists' views on social sciences and society to the degree of meshing Islam's core ethical values and *Shari'a* norms with the prevalent social structure.

For Muhammad Akram Khan, who clearly sought to revitalize economic thought in Islamic tradition,<sup>96</sup> Islamic economics is a mainstream economics, embellished with Qur'anic and *ḥadīth* terminology.<sup>97</sup> In this sense, Islamic economics is a "type of capitalism with a spiritual dimension,"<sup>98</sup> which positions the institution of *ribā* in its core.<sup>99</sup> Khan contends that religious scholars from the 19<sup>th</sup> and early 20<sup>th</sup> centuries have addressed economic teachings in Islam within the scope of theological discourse. Since this failed to establish a solid theoretical ground for the emerging discipline of Islamic economics, he proposes studying the subject matter within the field of social sciences<sup>100</sup> and thus annexing it to the mainstream economic narrative. For him,

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<sup>95</sup> Karl Polanyi, *The Great Transformation*, 145-147.

<sup>96</sup> "I have been actively involved in thinking about, writing about and advocating Islamic economics as a distinct branch of knowledge for over four decades. However, over the last decade, my thinking had gradually moved away from mainstream thinking on the subject." Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, xiv.

<sup>97</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, xiv.

<sup>98</sup> Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, xv.

<sup>99</sup> There is a consensus among Muslims on the prohibition on *ribā*, yet there is no definite definition and description on what exactly does this prohibition entail, and on this prohibition the modern institutions of Islamic finance is based. This leads Khan further to disprove that all forms of interest are not *ribā*, even though the Islamic financial institutions have rendered them illicit, despite the fact that various forms of interest, such as double-payment, profit gains and others can be found in Islamic finances. On the concept of *ribā* and its historical and legal perspectives see Rauf Azhar, *Economy of Islamic Economics* (Leiden: Brill, 2010).

<sup>100</sup> Muhammad A. Khan, *What is wrong with Islamic Economics?*, xiii, 27 ff.

one of the main obstacles is a subject's theological reference and the lack of social scientific component. If Islamic economic teachings remain predominantly attached to its theological base, it cannot be formulated, verified, or delineated, sufficiently. The early religious scholars and proponents of the Islamization process have tried to develop Islamic economics based on theological worldview of Islam, discussing inheritance law, *zakāt* and conventional economics, yet the scope and the subject matter were neither clear nor theoretically sound.

Although Khan acknowledges the insufficiency of the contemporary Islamic economic project, he blames the theological framework for it, and not the legal coordinates and the dominant discourse of modernity in which the discipline of Islamic economics emerged. His method of positioning Islamic economics solely within the parameters of social sciences remains highly problematic, since it refuses to take into account epistemological, historic, theological, moral, and mystical entanglements of economic teachings in Islamic tradition that deploy a different hermeneutical field from mainstream social sciences and from the Islamization process.

## 4. The Islamization of Economics

### 4.1. Islamizing Knowledge

The process of secularism compelled many Muslim scholars to grapple with the Western notion of knowledge and the division of disciplines, in general, and the social sciences, in particular. In the 1970s Muslim scholars witnessed the materialization of the Islamization of knowledge process, which defined Islamic science according to its Islamic worldview and revealed knowledge paradigms.<sup>101</sup> Analogously, however, Muslim scholars also experienced the process of indigenism or nativism as orientalism in reverse.<sup>102</sup> Some of the traits of nativism are the repudiation of Western social sciences, the superficial critique of Western theories, and a lack of

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<sup>101</sup> See Seyyed Hossein Nasr, *Islamic Science: An Illustrated Study* (London: World of Islam Festival Trust, 1976); idem, "Reflections on Methodology in the Islamic Sciences," *Hamdard Islamicus*, Vol. 3, No. 3 (1980): 3-13; idem, *The Need for a Sacred Science: The Gifford Lectures* (Edinburgh: Edinburgh University Press, 1981).

<sup>102</sup> See e.g. Mona Abaza, "Some Reflections on the Question of Islam and Social Sciences in the Contemporary Muslim World," *Social Compass*, Vol. 40, No. 2 (1993): 301-321; Mona Abaza and Georg Stauth, "Occidental Reason, Orientalism, Islamic Fundamentalism: A Critique," in *Globalization, Knowledge and Society: Readings from International Sociology*, eds. Martin Albrow and Elizabeth King (London: Sage Publications, 1990), 209-230; Sadiq Jalal al-'Azm, "Orientalism and Orientalism in Reverse," in *Forbidden Agendas: Intolerance and Defiance in the Middle East*, ed. John Rothschild (London: Al-Saqi Books, 1984), 349-376.

attention to the classical Islamic intellectual tradition.<sup>103</sup> This modernity-confined discourse of Western knowledge and sciences had a profound impact on the structural and imaginable nature of Islamic sciences in general, and Islamic economics in particular.

For Thomas Bauer, the Islamization of Islam is constructed around the following components. “Islamic” as distinct fields of human endeavours (e.g. Islamic art, Islamic medicine, Islamic economics, etc.) suggests a religious identity, whereas nonreligious discourses are consequently being labeled as unimportant. In case of multiple discourses, one is appropriated that corresponds the most to the widespread perception of religion in the West, and the religious discourse is given precedence over a non-religious one. In case of multiple discourses, the one that will be accepted as the orthodox norm relating to the essence of Islam, is the one that corresponds the most to the Western standards of “conservatism.”<sup>104</sup> Such mechanic process repudiates the culture of ambiguity of Islamic tradition and sets the norm for a monolithic religion of Islam, which appears to Western culture as something alien and even contradictory. These political, economic, and cultural ramifications of European colonialism of the 19<sup>th</sup> century paved the road to a selective public image of Islam. Consequently, Islamist movements resorted to Hanbali tradition,<sup>105</sup> who – like their Western liberal counterparts – negated the multiple multifaceted traditions of Islam.

Moreover, the fact that Islamization of Islam (and Islamic economic) is a relatively modern phenomenon is indicative of the level of the usage of certain terminology and concepts. Terms like *niẓām* (system) and *manhaj* (method) incorporate a Cartesian worldview which was unknown to classical Islam.<sup>106</sup> The classical Islamic sciences offered a plural approach to the study of Islam, wherein theology, Islamic law, and *taṣawwuf* gave different answers to sometimes similar questions, whereas modern Islamic interpretation forms various fields of knowledge with the same method and principles. Additionally, the Islamization process makes the epistemology of Islam scientific, and in turn, Islamizes the science by utilizing western concepts and placing them in an Islamic milieu, while seeking to theorize the problematic components by merging Islamic and western thought.<sup>107</sup>

The Islamization of knowledge has accommodated the teachings of *Sharī‘a* on a variety of topics, however, rather than contributing to the theory of knowledge, the Islamization of

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<sup>103</sup> Syed Farid Alatas, “The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse,” 98.

<sup>104</sup> Thomas Bauer, *Die Kultur der Ambiguität*, 222-223.

<sup>105</sup> Armando Salvatore, *Islam and the Political Discourse of Modernity*, 87.

<sup>106</sup> Thomas Bauer, *Die Kultur der Ambiguität*, 387-388.

<sup>107</sup> See Ahmad S. Moussalli, “Islamism. Modernization of Islam or Islamization of Knowledge,” in *Cosmopolitanism, Identity and Authenticity in the Middle East*, ed. Roel Meijer (London and New York: Routledge, 1999), 97-101.

disciplines has generated a paradigmatic disjunction between faith and knowledge in Islam.<sup>108</sup> Both al-Faruqi and al-Attas refer to the modern worldview within which contemporary knowledge is interpreted.<sup>109</sup> While they consider *tawhīd* as the basic principle of Islam, al-Attas espouses metaphysical Islam as a synthesis of classical Islamic theologians, philosophers, and Sufis,<sup>110</sup> deriving its sources from the revelation and intellectual history. For him, knowledge is never pure, but presents an intricate relation between the revealed knowledge and human reasoning. Al-Attas's conception of Islamization is a form of liberation from secularism and from the secular control of reason and language,<sup>111</sup> and focuses on Islamizing the inner self – the individual personality. *Taṣawwuf* formulates basic predicaments and concepts for all branches of knowledge.<sup>112</sup>

On the other hand, al-Faruqi's plan is to Islamize classical and modern disciplines, by producing educational curricula based on Islamization methodology. Similar to other Muslim revivalists of the early 20<sup>th</sup> century who berate *taṣawwuf*, al-Faruqi emphasizes the socioeconomic values and processes of Islamization that were later extended to the field of Islamic economics. Al-Faruqi's Islamization of knowledge appears more mechanical and associated with positivist approach, whereas al-Attas's method is rooted in Sufism and deals primarily with Islamizing ideas and concepts.

The critics of Islamization of knowledge have also voiced their concerns. Fazlur Rahman states that one has to critically analyze the worldview of classical Islam and not simply apply the Islamization process to modern sciences.<sup>113</sup> *ʿIlm* as knowledge is in itself good, yet it is man's (mis)appropriation of knowledge that can be irresponsible. Pertinent to such approach is the integration of Islamic and modern disciplines of knowledge. Moreover, Ziauddin Sardar is one of the main critics of the Islamization process, for whom al-Faruqi's conception of the Unity of Truth and Unity of *ʿIlm* is inconsistent and without any substance. Al-Faruqi's Islamization plan is directed mainly at the social sciences, which present an epistemological issue, for it is impossible to Islamize modern sciences since they are rooted in the Western epistemological

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<sup>108</sup> Seyyed Vali Reza Nasr, "Islamization of Knowledge: A Critical Overview," *Islamic Studies*, Vol. 30, No. 3 (1991): 387.

<sup>109</sup> "It seems to me important to emphasize that knowledge is not neutral, and can indeed be infused with a nature and content which masquerades as knowledge. Yet it is in fact, taken as a whole, not true knowledge, but its interpretation through the prism, as it were, the worldview, the intellectual 'vision and psychological perception of the civilization that now plays the key role in its formulation and dissemination." Muhammad Naquib Al-Attas, *Islam and Secularism*, 133-134.

<sup>110</sup> Rosnani Hashim, Imron Rossidy, "Islamization of Knowledge: A Comparative Analysis of the Conceptions of Al-Attas and Al-Fārūqī," *Intellectual Discourse*, Vol. 8, No. 1 (2000): 24.

<sup>111</sup> Al-Attas, *Islam and Secularism*, 42.

<sup>112</sup> Al-Attas, *Islam and Secularism*, 121-123.

<sup>113</sup> Fazlur Rahman, *Islam and Modernity* (Chicago: University of Chicago Press, 1982), 134.

paradigm,<sup>114</sup> which pertains to particular theories, concepts, perceptions, and practice. Hence, it is impossible to merge two very different epistemological systems, since each has produced a specific worldview and set of requirements.

The proponents of Islamization of knowledge should not uncritically accept the modern divisions of disciplines *per se*, and instead focus on the fundamental norms of what constitutes the theory of knowledge in Islam. Even if modern knowledge is relevant for the Islamic perception of knowledge and sciences, it must be made relevant through understanding of Islam's own conceptual framework. Sardar argues that science has been westernized, is not neutral,<sup>115</sup> and is subsequently bound to a cultural milieu. Since traditional knowledge was perceived to be derived from the theological sources, the Islamization process as understood in the 20<sup>th</sup> century by al-Faruqi and al-Attas was not necessary. For Sardar, divorcing the moral from the epistemological in Western culture generated a body of knowledge that was foreign to the Islamic understanding of key concerns of manifestations (and not concepts) such as trusteeship, social justice, sacredness of nature, public well-being, etc.<sup>116</sup> Instead, Muslim economists were too busy applying Western economic techniques and methods to Islamic economics.<sup>117</sup> Instead of Islamizing disciplines, Muslim scholars can Islamize the philosophy of those disciplines employing an Islamic outlook and the spirit of revelation.<sup>118</sup> Even if Islamization of knowledge commences with *Shari'a*, it does not end with it, for it should not only be concerned with implementing a religious worldview and critiquing science, but rather with restructuring and informing an Islamic perspective on (social) sciences.

## 4.2. Islamizing Economics

Modern Islamic economic thought reinforced itself against the backdrop of Islamization of knowledge, which despite its discontent with and opposition to the Western colonial project and its economic, political, and cultural implications, materialized within the pre-established order of the nation-state alongside its epistemological significances. In the 20<sup>th</sup> century, the Islamists' envisioning of an Islamic state and society included Islamizing economies, which served as a

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<sup>114</sup> See Sardar, *Islamic Futures* (Kuala Lumpur: Pelanduk Publications, 1988). First published at Mansell, London and New York, 1986.

<sup>115</sup> Also Nasr maintains that knowledge has become desacralized. Seyyed Hossein Nasr, *Knowledge and the Sacred* (New York: State University of New York Press, 1989), 10.

<sup>116</sup> Ziauddin Sardar, *Islamic Futures* (Kuala Lumpur: Pelanduk Publications, 1988), 103-105; Seyyed Hossein Nasr, "Islam and the Problem of Modern Sciences," *Islam & Science*, Vol. 8, No. 1 (2010): 63-74.

<sup>117</sup> Sardar, *Islamic Futures*, 1985.

<sup>118</sup> Seyyed Vali Reza Nasr, "Islamization of Knowledge: A Critical Overview," *Islamic Studies*, Vol. 30, No. 3 (1991): 393.



mechanism for asserting religious ideas into state politics.<sup>119</sup> The development of Islamic economics as a distinct science occurred more in name than in substance, since the neorevivalists embarked upon the Islamic version of knowledge and economics as its sub-paradigm. By delineating a field of knowledge known in the West as economics, Muslim scholars and economists were compelled to attune and harmonize the criteria and conventionalities of that very field, despite their Islamic standpoint. “The imaginative sphere of knowledge, concepts, and the scientific language of Muslim economists largely defiled their very project of an alternative economic system”<sup>120</sup> that was preserved within a modernist discourse.

Contemporary Islamic thinking on economics has been devoid of epistemic value. The contemporary Muslim reaction to economic problems in the 20<sup>th</sup> century have sprouted out of Islamization and Islamic financial and banking institutions, which have not developed a coherent program to rethinking the nature of the subject and the role of its main components such as money, progress, well-being, moral and social consciousness. Their offering of an exclusively theological outline of Islamic political economy has assumed a tautological and self-fulfilling narrative of economic doctrine. Furthermore, Islamizing the economy indicates that it is Islam (or Islamic ethics) rather than the government, which is responsible for the social equilibrium and economic performance of the economy.<sup>121</sup> Consequently, the religious worldview of Islamic economics was explicit, primarily in the creation of interest-free banking and financial institutions.<sup>122</sup> The rise of Islamic financial institutions, which reiterates interest-free banking, has compensated for the absence of a coherent philosophy of Islamic economic thought, since it appears to be inoperable, despite its intellectual potential.

## 5. Concluding Remarks

Given the lack of knowledge and the discursive formation of Islamic tradition by Muslim economists, Islamic economics will remain ill-equipped to deal not only with the language of

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<sup>119</sup> On the Islamization of Pakistani economy, see e.g. Hathaway, Robert M. and Lee, Wilson, ed. *Islamization and the Pakistani Economy* (Washington, D.C.: Woodrow Wilson International Center for Scholars, 2004); Syed Vali Reza Nasr, “Islamic Economics: Novel Perspectives,” *Middle Eastern Studies*, Vol. 25, No. 4 (1989): 525.

<sup>120</sup> On the pro-market economy, despite his critique of capitalism, see Rauf Azhar, *Economics of an Islamic Economy* (Leiden: Brill, 2006).

<sup>121</sup> Syed Vali Reza Nasr, “Islamic Economics: Novel Perspectives,” 526; Seyyed Vali Reza Nasr, “Islamization of Knowledge: A Critical Overview,” 390.

<sup>122</sup> See e.g. Yildiz Atasoy, *Islam’s Marriage with Neoliberalism: State Transformation in Turkey* (London: Palgrave Macmillan, 2009).

*fiqh*,<sup>123</sup> but also with the intricate historical, social, and cultural patterns of premodern Muslim societies. Such an approach to the field of economy has excluded the practice of economics, and has led to a certain dogmatism of the subject. The case of Islamic economics and its ethical considerations indicates that it does differ from conventional economics, yet the current economic theories do not necessarily presume to be “genuine” economic theories in Islam with their own legal methodology based on *fiqh*. In such a case, the distinction between *homo islamicus* or *homo economicus* would be equal to none.

Islamic culture did not withstand the onslaught of modernity and its colonial restructuring through the militaristic but also bureaucratic-administrative, legal, political, and economic wars. Muslim countries have undergone some restructuring of their legal systems and have had to replace the institution of *Sharī‘a* with European laws. As a response, civil society and legal specialists called for a reintegration of Islamic law: “Calls to return to the application of Islamic law emerged into prominence during the 1970s...”<sup>124</sup> Many governments responded to this goal, and various fields have been revitalized by the Islamic legal system, including commercial laws.

Yet without the re-examination of historic analysis of economic thinking in Islamic tradition, the modern project of Islamic economics (and finances) is doomed to only one feature – its own distinctive narrative. This perpetuates the skepticism of contemporary Islamic economic project, since it is ontologically based on the conditions of the modern state. Reconstructing the Islamic economic (and legal) paradigm within the nation-state has to be addressed in relation to the moral metamorphosis. As such, the contemporary Islamic economic project is deprived of both the methodological consideration and the moral context, and is either inauthentic or doomed to fail.<sup>125</sup>

Islamists see *Sharī‘a* primarily as a legal and sociopolitical enforcement due to its Divine origin – an approach that can be compared with legal positivism.<sup>126</sup> Neither mimicking mainstream economic system, nor glorifying self-perpetuated image of Islamization will do justice to the subject, since both approaches address the issues at stake only in part.

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<sup>123</sup> “... the *fiqh* scholars were equally ill-prepared to deal with the discipline of economics and the working of the modern economy; indeed most of the *fiqh* scholars have lacked even an elementary knowledge of economics as well as the issues that it deems important. It is thus that those few who could occupy the middle ground—at the confluence of *fiqh* and economics—were able to set a course of their own liking for a discourse that was to be known as Islamic economics.” Rauf A. Azhar, *Economics of an Islamic Economy*, 3.

<sup>124</sup> Frank E. Vogel, Samuel L. Hayes, *Islamic Law and Finance* (The Hague: Kluwer Law International, 1998), 20

<sup>125</sup> Abu-Odeh, Lama, “Book Review of The Impossible State by Wael Hallaq” (2013), Georgetown Law Faculty Publications and Other Works, Paper 1269.

<sup>126</sup> For M. K. Masud, the problem lies in secularists and Islamists, since the former try to diminish whereas the latter seek to overemphasize *Sharī‘a*’s legal positivism, and “None of them accepts the possibility that the normative basis of shari‘a may lie elsewhere.” Muhammad Khalid Masud, *Muslim Jurists’ Quest for the Normative Basis of Shari‘a*, inaugural lecture, Leiden: ISIM, 2001, 5-6.

Contemporary Islamic economic theories did not provide an overall economic system detached from the “centripetal pull of western economic thought.”<sup>127</sup> Since “the political discourses of modernity have intervened in the construction of Islam,” and “the definitions of Islam have contributed to shape political discourse of modernity, both in the West and in the ‘Arab-Islamic’ world,”<sup>128</sup> a particular hermeneutic field of political Islam manifested. This hermeneutical field owes its existence in part to the all-embracing discourse of modernity (and the construction of modern disciplines) that claims universal validity and even affects the indigenous interpretations of Islam.

Epistemology, as the study of theory of knowledge, is not confined to one particular realm of investigation, and hence it is not separated or isolated from other realms of knowledge. The 20<sup>th</sup> century definitions of Islamic economics are embedded in a particular social context and religious ideology, that are, however, concerned with the indigenization of social sciences. For Khan Masud, Islamic social, political and economic history has been essentially explained in religious terms, and “the Muslim intellectual history is thus essentially a sociopolitical history.”<sup>129</sup> Regardless of whether Islamic economics is defined as science or dogma, as we have seen from the examples within the Islamic intellectual tradition, classical Muslim scholars encouraged moral economic behaviour.<sup>130</sup> Theories put forward by the major modern theoreticians and scholars on Islamic economics claim the superiority of *fiqh* and financial character of economic conduct. The authority of Muslim economists have largely disregarded the sociopolitical contestations that contributed to the establishment of economic ideas, and by extension the historical underpinnings by premodern Muslim scholars who addressed economic subjects as part of the all-embracing moral cosmology encapsulated in the worldview of *Sharī‘a*.

At present, many Muslim organizations and networks have turned to the Islamic banking and finance industry in order presumably to restore and further the commercial life of the 21<sup>st</sup> century, while invoking the institution of *Sharī‘a*. Islamic banking and finance as the most developed subfield within the subject of Islamic economics is closely related to commercial life and contract laws. As such, it is perceived as a subgenre of Islamic law, often coupled with mainstream financial terminologies and operational systems, whose methods present neither historical accuracy of the field, nor the theoretical definition of the subject matter. In Pakistan and

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<sup>127</sup> Necati Aydin, “Redefining Islamic Economics as a New Economic Paradigm,” *Islamic Economic Studies*, Vol. 21, No. 1 (2013): 2.

<sup>128</sup> Armando Salvatore, *Islam and the Political Discourse of Modernity*, xiv, xv, xxi, 23.

<sup>129</sup> See Muhammad Khalid Masud’s draft “Classical” *Islamic Legal Theory as Ideology: Nasr Abu Zayd’s Study of al-Shfi‘i’s Risala*, 11.

<sup>130</sup> For the moral self and the encouragement of economic stipulations, consult the works of al-Shaybānī, al-Muḥāsibī, Ibn Abī al-Dunyā, al-Ghazālī in Chapter Three.

Malaysia, Iran and other countries, the process of Islamization has also penetrated the legal and political realms, yet Islamic banking in general does not impinge upon local and international policies to the degree of changing the economic paradigm. If Islamic banking and finance would seek to apply Islamic religious law (*Sharīʿa*) to a sector of modern trading and commerce,<sup>131</sup> which has much stronger precedence than politics or theology, it ought not to preclude only a positivist but also a moral character. The objectives to be pursued should be to “[minimize] cost in production (instead of maximizing profit) and maximizing *maṣlaḥa* in consumption (instead of maximizing utility).”<sup>132</sup>

In the final chapter, this thesis turns to the proposition of approaching economic thought in Islamic tradition from a plural and polyvalent epistemology of moral, cosmological hermeneutics.

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<sup>131</sup> Frank E. Vogel, Samuel L. Hayes, *Islamic Law and Finance* (The Hague: Kluwer Law International, 1998), 21.

<sup>132</sup> Muhammad Fahim Khan, “*Fiqh* Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of *Fiqh*,” *Theoretical Foundations of Islamic Economics*, ed. Habib Ahmed (Jeddah: The Islamic Development Bank, Islamic Research and Training Institute, 2002), 76.

## Chapter Five:

### Pluralistic Epistemology of Islam's Moral Economics

*The social world, in all its aspects, turns upon human practice, the primary explanandum of social enquiry. And, whatever the practices of interest, amongst the explanans of social explanations are structures, positions, mechanisms, processes and the like. In other words, there is no obvious basis for distinguishing economics according to the nature of its object, i.e. as a separate science. Nor does it have its own domain.*

Tony Lawson, *Reorienting Economics*, 162

*The more man makes himself at home in the heart of the world, the further he advances in his possession of nature, the more strongly also does he feel the pressure of his finitude, and the closer he comes to his own death. History does not allow man to escape from his initial limitations – except in appearance, and if we take the word limitation in its superficial sense; but if we consider the fundamental finitude of man, we perceive that his anthropological situation never ceases its progressive dramatization of his History, never ceases to render it more perilous, and to bring it closer, as it were, to its own impossibility.*

Michel Foucault, *The Order of Things*, 259

*Earning is not the aim of human life but it is a means to an end.*

Al-Ghazālī, *Iḥyā'*, Vol. 2, 62

#### 1. Introductory Remarks

This chapter does not exhaust the study of new approaches to economic teachings in Islamic tradition.<sup>133</sup> Instead, it analyzes how to study economic teachings in Islam as a multifaceted, polyvalent, and pluralistic epistemological<sup>134</sup> tradition within a cross-disciplinary conceptual framework centered on the moral self. I argue for a particular epistemological conception,

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<sup>133</sup> Islamic economics can be perceived also as part of the heterodox economics, which in a way opposes the mainstream economic project's concept of truth. On the heterodox economics see e.g. Tony Lawson, *Reorienting Economics* (London and New York: Routledge, 2003); idem, *Economics and Reality* (London and New York: Routledge, 1997).

<sup>134</sup> By epistemological, I mean a theory of knowledge that was produced by the premodern hermeneutical field in Islamic tradition.

whereby through demonstrating the sustainability of this particular conception, I will introduce how to approach the study of economic thought in Islam.

In order to recover economic teachings in Islamic heritage, it is crucial to understand the Islamic intellectual tradition, as well as the difference between the ontology of science and knowledge in Islamic and Western traditions. Given, first, the formation of economics in the 18<sup>th</sup> century as a rational and objective science – an attitude that adopted also neoclassical economics – and second, the epistemological ruptures that occurred in the 19<sup>th</sup> and 20<sup>th</sup> centuries with the introduction and expansion of Western disciplines, economic teachings in Islam cannot be studied simply as a combination of Islamic idioms and the prevalent neoclassical ideas. Analyzing the field of economics by itself is an impossible endeavour, if any serious analysis is to be done to the project of Islamic studies in general, and economic tradition in Islam, in particular. For economic matters were in classical Islamic scholarship conceptualized as part of the moral conduct within a polyvalent methodological framework. The Qur'an has had an active and dialectic interaction with every major cosmological idea of its time, including the behaviour of man pertaining to economic activities, since its cosmology in its entirety is based on moral natural law.<sup>135</sup> As discussed in Chapter Three, the moral cosmology of Islam translates human behaviour into a morally driven engagement in light of higher spiritual ends that surpass purely worldly and material aspirations. In this manner, the moral self is perhaps expressed most often through the dominion of *Sharī'a*, yet there are other discursive traditions outside of it that refer to Islam's moral cosmology.<sup>136</sup>

The concept of *Sharī'a* inevitably leads us to reassess the notions of “Islam” and “Islamic.” Namely, the first is “Islam” proper, usually identified as Islamic law as a historical, authentic phenomenon maintaining the position of explaining the orthodoxy, which is in Shahab Ahmed's view a restricted and selective definition. Ahmed's conceptualization of Islam “in terms of an expansion of phenomena without concern to pin down a focal point”<sup>137</sup> indicates the multiplicity of “Islam” or rather “Islams” that cannot be traced to the essence of Islamic law.<sup>138</sup>

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<sup>135</sup> Wael Hallaq, *The Impossible State*, 83.

<sup>136</sup> See Shahab Ahmed' hermeneutical engagement of the Pre-Text, Text, and Con-Text in Shahab Ahmed, *What is Islam?*, chapter 4, 5 and 6; and Talal Asad's notion of discursive tradition in Talal Asad, “The Idea of an Anthropology of Islam” (paper presented the Annual Distinguished Lecture in Arab Studies, Center for Contemporary Arab Studies, Georgetown University, Washington D. C., March, 1986).

<sup>137</sup> Shahab Ahmed, *What is Islam?*, 115.

<sup>138</sup> In regard of distinguishing the cultural patterns from the religious ones, some scholars convey the differentiation between “Islamic” and “Islamicate”: the first pertains to Islam in the proper, religious sense, whilst the later encompass “the social and cultural complex historically associated with Islam and Muslims.” If we were to affirm this distinction in regard to “Islamic economics,” then with the formal term we mean and refer to the theoretical corpus of Islam as theologically-driven enterprise. Excluded from this theoretical compilation are not the cultural practices of Muslims in premodern era as well as the conceptual discrepancies between the economic theories and

The second axis conceptualizes Islam in the category of “religion” or “religious,” exposing its historical and human phenomenon as in opposition to “secular/secularism” or “culture/cultural.”<sup>139</sup> Claiming that Islamic law is the final legitimizer of the conceptualization of Islam and that it exemplifies the core of the historical phenomenon of Islam undermines and marginalizes other human historical realms, such as *kalām*, Islamic philosophy, Sufism, and other fields that are intertwined, yet separated from the concept of Islamic law. For Islamic legal studies, Islamic law was by default the epitome of the historic phenomenon of Islam.<sup>140</sup> Yet, the reform of economic thought in Islam can occur only through the transformation of human understanding of different epistemic systems. The cosmological theory of economics with morality at its core can help shape human development on the microlevel as well as political economy on the macrolevel.

## 2. Moral Cosmology and Pluralistic Epistemology in Islamic Tradition

### 2.1. Moral Cosmology and Economics

In Western thought, economic theories play out in affirming the position of a natural man as a rational, self-centered, and autonomous subject. Economic man seeks the maximization of production and an optimal state of affairs. Such theories relate to the so-called holy trinity of mainstream economics – the notions of rationality, greed, and equilibrium.<sup>141</sup> The Enlightenment, its moral predicaments of self-legislative reasoning, and utilitarian philosophy profoundly collectively shaped the science of economics, as we know it nowadays. These are some of the core components of mainstream Western economic ideas reflected in the canonical literature on

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their applicability in Muslim majority countries. On the notion of “islamicate” see Marshal Hodgson, 1979, I, 59 in Reinhart A.K., “Islamic law as Islamic ethics,” *The Journal of Religious Ethics*, Vol. 11, No. 2 (1983): 186.

<sup>139</sup> The conceptualization of Islam and Islamic will be explained in more elaborated fashion in the fourth chapter of Islamization of Islamic economics. For now it suffices to display the overall complexity and multiplicity of Islam as not being equated with the notion of Islamic law as a human historical phenomenon.

<sup>140</sup> *Fiqh* as understanding the *Sharī‘a* had also social implications. This entails also the notion of *ikhtilāf* as diversity within *fiqh*. *Ikhtilāf* suggests that *fiqh* is human interpretation of the Qur’anic injunctions and that legal interpretation is a continuous process in order to enable legal norms to change along with the needs and ends of societal norms. On the other hand, *ikhtilāf* caused also ruptures to emerge between legal schools, invigorating authority of one’s own school. For more on the notion of diversity in Islamic jurisprudence and social construction, see Muhammad Khalid Masud, “Ikhtilaf al-Fuqaha: Diveristy in Fiqh as a Social Construction,” in *Wanted: Equality and Justice in the Muslim Family*, ed. Zainah Anwar (Malaysia, SIS, 2009), 66-92.

<sup>141</sup> See David Colander et al, *The Changing Face of Economics* (Ann Arbor: University of Michigan Pres, 2004).

economics,<sup>142</sup> which further reflects scientific theories of physics,<sup>143</sup> and evolutionary biology.<sup>144</sup> The adaptation of economic theory to natural sciences has been framed within the terms of individual self-assertion and competition, which modeled the existence of (socioeconomic) equilibrium, found in the (neo)classical economic theories, too.<sup>145</sup> Western economic worldview as we know it nowadays, has been informed by the scientific developments within a particular worldview, thereby also espousing its biases, misconceptions, and errors.<sup>146</sup> Mainstream economics is represented by economic orthodoxy, which consists also of methods of mathematical-deductivist modelling.<sup>147</sup> In addition to its multiple subdivisions and mathematical models,<sup>148</sup> it grounds its analysis and economic outlook in a particular experience of history and societies. These models provide a notion of an individual economic agent and particular economic pursuits.

Contemporary Muslim economists' enactment of a neoclassical economic narrative negates the premodern body of knowledge and its economic cosmologies that integrate theological, juridical, and mystical forms of knowledge subsumed in the moral universe.<sup>149</sup> The

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<sup>142</sup> On the other hand, gratefulness is part of *Sharī'a's* conception of social responsibility. Wael Hallaq, *The Impossible State*, 150-151.

<sup>143</sup> Pioneering economists, William Stanley Jevons and Léon Walras, drew their economic diagrams in accordance with Newton's theory of physics. Jevons's approach to the natural sciences was based on a belief in the mechanical constitution of the universe and scientific knowledge. For more see Harro Maas, *William Stanley Jevons and the Making of Modern Economics* (New York: Cambridge University Press, 2005). Walras provided the general equilibrium theory and amoral definition of economic utility, wherein value is independent of the common meaning of utility. See Léon Walras, *Éléments d'économie politique pure, ou théorie de la richesse sociale* (Paris, Lausanne: 1926).

<sup>144</sup> John Searle argues that the epistemic and ontological level of economics can be either subjective or objective. Science is epistemically regarded as objective, but it can still study ontologically subjective realms. Conscious is ontologically subjective, however, there is no reason for not having an epistemically objective science of the domain that is ontologically subjective. Economics, on the other hand, is a domain created by a human ontological subjectivity that includes money, market, and other mechanism, whereby it is an epistemically objective science. John Searle, *Social Construction of Reality* (New York: The Free Press, 1995); idem, *Making the Social World* (Oxford: Oxford University Press, 2010); see also Tony Lawson, *Reorienting Economics* (London and New York: Routledge, 2003), 110-123.

<sup>145</sup> The invisible hand of market, which raises the question of individual pursuits and the lack of moral limitations, is one of the most important components of Western cosmological economics. See Adam Smith, *The Wealth of Nations*, electronic version, MetaLibri, 2007; Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (New York: St. Martin's Press, 1962).

<sup>146</sup> As an example, neoclassical economic science studies utility in a mechanical manner, while reducing needs to wants. See e.g. Ezra J. Mishan, *Economic Myths and the Mythology of Economics* (Atlantic Highlands, New Jersey: Humanities Press International, 1986); Mark Lutz and Kenneth Lux, *Humanistic Economics: The New Challenge* (New York: The Bootstrap Press, 1988). See also Diana Strassmann, who states "To a mainstream economist, theory means model, and model means ideas expressed in mathematical form." Diana Strassmann, "Feminist Thought and Economics; or, What do the Visigoths Know?" *American Economic Review*, Vol. 84, No. 2 (1994): 153; Syed Farid Alatas, *Alternative Discourses in Asian Social Science: Responses to Eurocentrism* (London: Sage, 2006).

<sup>147</sup> Tony Lawson, *Reorienting Economics* (London and New York: Routledge, 2003), 3.

<sup>148</sup> Tony Lawson, *Reorienting Economics*, 54-55, 73.

<sup>149</sup> See the writings of e.g. Ibn Hazm, al-Muḥāsibī, al-Ghazālī and other classical scholars in Chapter Three.



Western philosophical tradition of economics attributed to the dismantling of the epistemological basis and ontological status of the ethical values, moral predicaments, and spiritual categories of economic thought that used to be prevalent in Islamic tradition.<sup>150</sup> The moral cosmology of economics in Islamic tradition theorizes social, political, ecological, and legal policies rooted in a moral worldview,<sup>151</sup> and as such stands for an unconventional methodological strategy. The virtuous fiber of the Qur'an was embedded in both a holistic system of belief and a cosmology, which was itself part of the system "that transcended the categories of theology, theosophy, and metaphysics."<sup>152</sup> This all-embracing cosmology accounts to restructuring individual character and social groups. Unlike conventional economics, economic teaching in Islamic tradition does not address utility but *maṣlaḥa* as an instrument of social, public and common good, and welfare.<sup>153</sup> Given the multifaceted and cross-disciplinary foundation of economics in human life in relation to society, culture, politics, and law, it cannot be solely based on (Western) economic principles, but on an intricate and complex web of various bodies of knowledge, exemplified in the nonmaterial predisposition of the self. This further indicates that the neoclassical comprehension of economic agents as atomistic and self-interested agents opposes the notion of common good, as one of the key concepts in Islamic intellectual tradition. Examining the theory of moral cosmology of economics in classical Muslim scholars as a pluralistic epistemology can help reevaluate and refashion controversies and epistemological inconsistencies that have raged in neoclassical and contemporary Islamic economics.

## 2.2. The Theory of Pluralistic Epistemology

The theory of pluralistic epistemology<sup>154</sup> invokes the hermeneutical field wherein economic thought in Islam is studied from multiple angles and perspectives, unlike the linear, unidimensional hermeneutics that is primarily centered on an essentialised view of economics and/or Islam.<sup>155</sup> The relationship between Islamic intellectual history and social sciences is one of knowledge. Even though all human knowledge has a material foundation and involves the use of

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<sup>150</sup> For the critique of Western and Islamic economics tradition, see Chapter Four.

<sup>151</sup> See figure four in the appendix.

<sup>152</sup> "The Qur'ānic narrative of creation, which bears upon the modes of human action and behaviour, is single-mindedly geared toward laying down the foundations of moral cosmology." Wael Hallaq, *The Impossible State*, 83.

<sup>153</sup> On *maṣlaḥa* in Islamic economics see e.g. Waleed El-Ansary, "The Spiritual Significance of *Jihād* in the Islamic Approach to Markets and the Environment," (PhD diss., George Washington University, 2006).

<sup>154</sup> See figure three in the appendix.

<sup>155</sup> For more on the mono and multidimensional hermeneutical field in Islam, see Armando Salvatore, *Islam and the Political Discourse of Modernity*, 117.

economic conditions, identifying those economic conditions, which concern the idea of well-being, is not the final determinant of what constitutes economic philosophy in Islam. In consideration of modern interpretations of Islamic economics and the philosophical narrative of modernity, applying Abu Zayd's theory, which distinguishes between (sacred) Text and the Authority of that Text, would be helpful to comprehend the discrepancy between Muslim economists' interpretations of Islamic economics, and the classical economic predisposition of economic teachings in Islam. The former is not authoritative *per se*, since its authority stems from the so-called "epistemology of authority," that is, the community ('*ulamā*') that formulates and designates the Text as authoritative. Any rupture from that authority does not necessarily mean freedom from the Text(s), but rather from the authority, which claims the interpretative supremacy. This further indicates that the conflict and tension do not emerge between the Text and reason, or in the case of contemporary Islamic economics, between modern economic literature and the argumentations of the foremost Muslim economists, but "between reason and the authority of the Text."<sup>156</sup>

Establishing an Islamic epistemology that would explain the intricate nature of social sciences, is a valid claim in its own right. The process of indigenization questions and counters the claim of the positivist universality of social sciences. The call for indigenization can be interpreted as the "critique of modernist discourses of man and society, and the rejection of the universality of social scientific concepts that originated in the West."<sup>157</sup> This indigenization does not imply a wholesale rejection of Western sciences due to its Western origin, but a process of accounting for epistemological, methodological, and historical assumptions and encounters. Such an attempt takes into account historical knowledge, theories, local worldviews, and cultural practices of indigenous cultures. For Syed Farid Alatas, the process of indigenization of social sciences is about internationalizing social sciences, which entails decolonization of knowledge and removal of ethnocentric bias,<sup>158</sup> and not simply applying methods of *fiqh*, *taṣawwuf* and/or *tafṣīr*, if attempted to create indigenous Islamic economic science is a prerogative. The

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<sup>156</sup> Muhammad Khalid Masud's draft "*Classical*" *Islamic Legal Theory as Ideology: Nasr Abu Zayd's Study of al-Shfi'i's Risala*, 13. See also Muhammad A. Khan's concern over the lack of critique of the contemporary Islamic economics and institutions that disallow such criticism.

<sup>157</sup> Syed Farid Alatas, "The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse," 89. The idea of indigenization implies the creation of theories of social sciences as derived from histories, concepts, and experiences from non-Western societies. See also Fahim Hussein et. al, "Indigenous Anthropology in Non-Western Countires: A Further Elaboration," *Current Anthropology*, Vol. 21, No. 5 (1980): 644-650; Syed Farid Alatas, "Reflections on the Idea of Islamic Social Science," *Comparative Civilizations Review*, Vol. 17, No. 17 (1987): 60-86.

<sup>158</sup> Syed Farid Alatas, "The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse," 91.

internationalization of social sciences, however, would make sense only if we assume that the social sciences are not Eurocentric.

The interactions between cultures are often multiple, yet they usually contain a power relation. Muslim scholars borrowed from other cultures throughout the history of Islam, as it holds for any other culture. Yet, the distinction between classical and modern Islamic modes of borrowings (or transplants) is apparent on various levels. Until the 16<sup>th</sup> century, Islamic culture borrowed from a position of strength, whereas in the modern period, it has been borrowing from a subordinate position in that it assimilated much of Western cultural, political, economic and social capital. If proponents of the Islamization process would claim that classical Muslim scholars also incorporated ancient Greek, Iranian, and Indian philosophy, which could be nowadays equated with the process of Islamizing disciplines, the claim would be incorrect for several reasons. Classical Muslim philosophers did not Islamize knowledge (or disciplines for that matter), but rather translated various concepts that corresponded to Islamic paradigm of thought,<sup>159</sup> while defining knowledge according to various categories. For instance, according to Ibn Khaldūn's classification of knowledge, there are two categories of knowledge – *al-'ulūm al-naqliyya* or traditional sciences and *al-'ulūm al-'aqliyya* or rational sciences.<sup>160</sup> The former is learned only by transmission, while religious sciences refer to the revelation, which include the Qur'an, its interpretation and recitation, *ḥadīth*, jurisprudence, *kalām*, *taṣawwuf*, and linguistic sciences of grammar, lexicography, and literature. The latter sciences can be learned by man naturally through the use of his reason and intelligence, and include logic, natural sciences or physics, medicine, agriculture, and sciences that surpass the natural world such as metaphysics, and sciences dealing with quantity such as geometry, arithmetic, music, and astronomy. Studying Ibn Khaldūn and his theory of knowledge and social sciences is one example of indigenizing knowledge processes of Islamic heritage,<sup>161</sup> which nonetheless posits a dichotomy between reason and traditional sciences.

In the modern period, however,

the quantitative and mathematical sciences in the modern sense refer not to the essence but to the material or material substratum of things. In this bold manner [Wolfgang] Smith destroys the stranglehold that modern scientism has exercised upon the traditional

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<sup>159</sup> Majid Fakhry, *History of Islamic Philosophy* (New York: Columbia University Press, 2004), 79, 91.

<sup>160</sup> Ibn Khaldūn, *Muqaddima* (Beirut: Dār al-Fikr, n.d.). See also Franz Rosenthal, *Muqaddimah of Ibn Khaldūn*, Vol. 2, 419-424.

<sup>161</sup> See Syed Farid Alatas, *Ibn Khaldun* (Oxford: Oxford University Press, 2013); idem, *Applying Ibn Khaldun: The Recovery of a Lost Tradition in Sociology* (Routledge Advances in Sociology), 2014.

sciences since the 17<sup>th</sup> century when these sciences became interpreted as crude antecedents of modern science.<sup>162</sup>

The methodological unity of natural and social sciences, as exposed for instance by John Stewart Mill in the 18<sup>th</sup> century, had fundamental repercussions for the scientific and disciplinary outlook in the following decades and even centuries. Mill's enactment of Newtonian mechanics in economics speaks of a science based on

causes in which the order does not matter to predict the effect, e.g. the effect is the same whether the causes occur simultaneously or sequentially... The resulting aggregate is quantitative and reducible to a sum of parts, an object for 'analysis' in which no *a priori* vision of the whole is necessary, for there are no qualitative differences to integrate.<sup>163</sup>

This distinction between the physical and the corporeal had a profound impact on the analytical tools and the nature of neoclassical economics<sup>164</sup> in delineating the mechanics of economics as oppose to the moral paradigm that was to be found in the classical Islamic thought. Classical economics provided the material for what neoclassical economists would turn into a science on its own, importing the mono-utility function.<sup>165</sup> This quality to quantity reduction applies neither to the natural world, nor to the human domain.<sup>166</sup> The solution, according to Wolfgang Smith, is the rebuttal of this bifurcation, which is the

Cartesian tenet which affirms that the perceptual object is private or merely subjective.

The idea of bifurcation goes hand-in-hand with the assumption that the external world is

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<sup>162</sup> Seyyed Hossein Nasr, "Perennial ontology and Quantum Mechanics: A Review Essay of Wolfgang Smith's *The Quantum Enigma: Finding the Hidden Key*," *Sophia: A Journal of Traditional Studies*, Vol. 3, No. 1 (1997): 151.

<sup>163</sup> Waleed El-Ansary, "The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory," *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 160.

<sup>164</sup> Waleed El-Ansary, "Islamic Science and the Critique of Neoclassical Economic Theory," in Karen Hunt-Ahmed ed., *Contemporary Islamic Finance: Innovations, Applications, and Best Practices* (New Jersey: John Wiley & Sons, Inc., 2013), 88; idem, "Recovering the Islamic Economic Intellectual Heritage," in *Proceeding of the Third Harvard University Forum on Islamic Finance: Local Challenges, Global Opportunities* (Cambridge: Cambridge University Press, 1999), 9.

<sup>165</sup> Waleed El-Ansary, "The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory," *Proceedings of the 6<sup>th</sup> International Conference on Islamic Economics and Finance* (Jeddah: Islamic Development Bank, 2005), 161.

<sup>166</sup> "... quantity is the only thing that has objective reality, and that the modus operandi of empirical science constitute the only valid means for the acquisition of knowledge" Wolfgang Smith, *Cosmos and Transcendence*, 145.

characterized exclusively by quantities and mathematical structure. According to this view, all qualities (such as color) exist only in the mind of the percipient.<sup>167</sup>

This lack of pluralistic epistemology that endorses a monolithic understanding of the physical realm – or according to El-Ansary, a mono-utility approach – cannot accommodate qualitative different ends that would include categories of spirituality and morality, which were regarded as “unscientific” and “irrational.”<sup>168</sup> Consequently, the spiritual and moral values have lost their objective meaning and were degraded to mere subjectivity, which further problematized the loss of moral agency in economic science.<sup>169</sup>

As for the study of Islam and modernity, two different systems appear to be at stake:

the plural hermeneutics of a complex civilization and the flexible medium of a collective identity centered on one Koranic keyword (Islam), while modernity is conceived as the sort of politically relevant discourse mediated by intellectuals once the idea of rationality is recognized as embodied in society, no longer confined to a transcendent logos.<sup>170</sup>

Within the larger context, developing a new epistemological base and a metanarrative for economic teachings and Islamic sciences takes the form of indigenizing types of knowledge by decolonizing social sciences, which allows for a more critical overview of indigenous sciences. Epistemologically speaking, one has to affirm multiple sources of knowledge if justice is to be done to Islamic intellectual history, despite, or rather because of, the colonial processes that altered the very sociology of knowledge of the colonized societies. Applying ethics to science is a process that has to occur through technical and methodic transformations that are in close alignment with classical Islamic knowledge, invoked by jurists and Sufis alike. Instead of Islamizing, scholars of Islam should critically engage with the sources of intellectual traditions in order to point out the different formation of knowledge and moral concepts that carry a paradigmatic value for the reassessment of Islamic (and social) sciences.

Indigenization as pluralistic epistemology of Islamic cultures, and not nativism as reverse orientalism, provides the framework that allows for applying multiple epistemologies to a

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<sup>167</sup> Wolfgang Smith, *The Quantum Enigma*, 137.

<sup>168</sup> Waleed El-Ansary, “Recovering the Islamic Economic Intellectual Heritage,” 9.

<sup>169</sup> As shown in the introduction and in Chapter Four, the Enlightenment and modernity followed differentiated the moral from the scientific. John S. Mill and David Hume, among many other philosophers, deprived ethics of intellectual foundations based on the reduction of quality to quantity, which is something that adhere to the neoclassical economists. For more on Hume’s ethics, see Henry Veatch, *For an Otology of Morals* (Evanston: Northwestern University Press, 1971).

<sup>170</sup> Armando Salvatore, *Islam and the Political Discourse of Modernity*, xiii.

particular domain of knowledge. A critical approach to reasserting economic teachings in the Islamic tradition would neither be to uncritically adopt Western models, concepts, and theories of economic and political development, nor to completely reject Western knowledge, but to systemically formulate political economy as a study of governmentality-society relations in Islamic tradition that is cognizant of moral and spiritual qualities. It is in this sense that the reading of pluralistic epistemology as a polyvalent hermeneutical field that contains (*Sharī'a*'s) moral archetypes in its core predicates, produces and maintains theoretical reverberations of once acquired yet disposed knowledge. Exploring economic teachings in Islamic heritage as preserving the material and spiritual well-being of societies should be studied under the banner of the moral cosmological order, which is reflected in the Qur'an and the premodern intellectual history of Islam. The theories of classical scholars should be in the modern period conducive to Muslim and non-Muslim societies alike. Studying Islamic economics cannot be developed owing to economic science alone, due to its cross-disciplinary and epistemologically pluralistic foundations. Rebranding Islamic economics in the 20<sup>th</sup> century to fit the mainstream economic paradigm, does a historical injustice to the idea of economic preservations and its moral archetypes. Both exclusionist approaches of modernists and Islamists would be incorrect,<sup>171</sup> as they disregard *Sharī'a*'s moral cosmology and the multivalent hermeneutical approach to economic reasoning. Endorsing *Sharī'a* as one of the central paradigms only through other peripheral paradigms can sufficiently explain the centrality of *Sharī'a* moral cosmology, which is only partially reflected in legal norms and codes of *fiqh*.

### 3. Economic Development in Light of Spiritual Prosperity

Since economics cannot be established on its own terms,<sup>172</sup> it must be incorporated in other domains of human knowledge. This proposition does not translate into viewing ethical considerations as the final determinant of economic reality, but rather stipulates that economics has to be in service of humanity, and not the other way around. As such, spiritual provisions ought to surpass any legal configuration of economic endeavours of man.<sup>173</sup> Such theory is

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<sup>171</sup> Compare with Thomas Bauer's critique of the Islamists and liberal Muslims – the former strive for “authentic” Islam based on the scriptural sources, the latter on the modernization process under the aegis of their Western counterparts. In this sense, both groups are incorrect as they expound one “correct” view of interpreting Islam and thus neglect the multifaceted, pluralistic, and polyvalent culture of Islam.

<sup>172</sup> Tony Lawson, *Economics and Reality*, 32, 121, 296.

<sup>173</sup> Shahab Ahmed, *What is Islam?*, 126; for the argument on the centrality of the Islamic law see e.g. Khaled Abu El Fadl, *Speaking in God's Name: Islamic Law, Authority and Women* (Oxford: Oneworld, 2001).

derived from a hermeneutical reading that pluralizes ethics of personal responsibility with sociopolitical deliberations, instead of embedding economics in the political and materialist discourses of modernity.

The Islamization of knowledge, even if perceived as a de-westernization of Western cosmological economics and its metaphysics, failed in attaining an authentic image of an Islamic approach to the study of economic thought, for it politicized Islamic studies. Despite their theoretical stance, paradoxically, Muslim economists pursued the inclusion of Islamic economic project within the paradigms of conventional economics. In order to de-essentialize the contemporary Islamic economic project and political economy in Islam, economic ideas in Islamic tradition should be analyzed in accordance with the postulates of the essential moral self through economic behavior whose meaning is consistent with the fundamental concepts, as expounded by the classical authors.<sup>174</sup> Such an approach does not aim to compartmentalize disciplines based on the positivist logic or to square its economic philosophy within the global market economy.<sup>175</sup> Currently, there is no existing political economy of Islamic economics that could analyze the state-economy relations according to Islamic principles. A solution is neither the political Islamization of religious texts nor a modernist vision of Islamic economics as pure social science, but rather the transdisciplinary, pluralistic epistemology of moral considerations that feeds into the narrative of an economy that is an integrative part of an overall human knowledge and cosmological order.

Such a cosmological order was well known in classical Islamic orbit. The connection between spiritual qualities and economic practices is also noticeable in Islamic mysticism.<sup>176</sup> Such an epistemological approach does neither discern the substance of *‘ilm* from the consequences of *‘amal*, nor moral cosmology of *Sharī‘a* from economic thought as an spiritual-

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<sup>174</sup> Also the notion of the self as personal fulfilment, development, endorsement of worldly existence, and so forth, can be found in Islamic tradition, expressed in various disciplines and registers. See Shahab Ahmed, *What is Islam?*, 329-330.

<sup>175</sup> “Happiness is, therefore, an effect which constantly accompanies virtue, and is not a motivating cause alone like truth. Consequently, there is an intrinsic connection between the “right” and the “good,” between spiritual “needs” and corresponding “duties” as two sides of the same coin. Thus, the Islamic view of welfare requires that the satisfaction of desires be based on true beliefs and happiness be based on reality to count towards well-being. From this perspective, psychological hedonism rationalizes the sacrifice of spiritual and other needs for false happiness based on inferior intentions, providing a theory of choice and welfare of the “lower soul” (the *nafs al-ammārah* in Qur’anic terms).” Waleed El-Ansary, “The Quantum Enigma and Islamic Sciences of Nature: Implications for Islamic Economic Theory,” 158.

<sup>176</sup> In opposition to the findings in Chapter Three of this thesis, Hamid Hossein, in my opinion, incorrectly states that economic activities were not considered part of the Sufi narrative. See Hamid Hossein, “Understanding the market mechanism before Adam Smith: economic thought in medieval Islam,” in *Medieval Islamic Economics Thought*, ed. M. S. Ghazanfar (London and New York: Routledge, 2003), 95; idem, “Inaccuracy of the Schumpeterian ‘Great Gap’ thesis: economic thought in medieval Iran (Persia),” in *Medieval Islamic Economics Thought*, ed. M. S. Ghazanfar (London and New York: Routledge, 2003), 117.

material acquisition based on the conceptualizations of *kasb*, *zuhd*, *faqr*, *tazkiyya*, *maṣlaḥa*, and ‘*adl*. *Faqr*, as spiritual poverty of detachment from worldly endeavors, also implies socioeconomic engagements that battles egocentricity and greed.<sup>177</sup> The definition of ‘*adl* (justice) pertains to the terms such as *mizān*, *qast*, *haqq*, and beneficence or ‘*adl wa al-iḥsān*. The acquisition of wealth fulfills not only the material provision but is, in actuality, also contingent upon the social factors of cohesion, spiritual well-being, and the notion of ‘*adl*. ‘*Adl* as part of the morality’s meta-narrative fulfills basic needs while eliminating structural inequity.<sup>178</sup> In premodern Islamic tradition, the concept of livelihood was concerned with realizing the spiritual goals, part of which encompasses the economic behaviour of man.<sup>179</sup> In the classical tradition, law was embedded in the dialectical relation with theology, mysticism, and morality, whereby moral structures were not coincidental but rather paradigmatic.<sup>180</sup> It is conventionally understood that spiritual concerns were not measured in Western economic terms,<sup>181</sup> which is why classical Muslim scholars treated economic gains as means to higher ends. In this manner, the *mu‘āmalāt* is conducted in conjunction with ‘*ibādāt*,<sup>182</sup> hence despite Vali Reza’s thorough critique of contemporary Islamic economics, economic engagements in Islam indeed prepare man to expand his spiritual properties.<sup>183</sup>

The Islamic ideal of economic (and spiritual) development cannot be expressed solely in the concept of *iqtiṣād*, which is translated as economics. The term *iqtiṣād*, derived from the root *iqtaṣada*, implies the process of economizing, moderation, and frugality,<sup>184</sup> which are essentially spiritual characteristics. Therefore, *iqtiṣād* cannot mean only economy from a Western understanding in its technical sense as a rational, accumulation-based and profit-oriented process, but as a human behaviour of providence, structured around the principles of moral and spiritual

<sup>177</sup> Rene Guenon, “Al-Faqr or “Spiritual Poverty’,” *Studies in Comparative Religion*, Vol. 7, No. 1 (1973): 16-20.

<sup>178</sup> Abdulkarim Soroush, *Reason, freedom, and democracy in Islam: essential writings of Abdolkarim Soroush*, trans., ed. Mahmoud Sadri, Ahmad Sadri (Oxford: Oxford University Press, 2000), 132.

<sup>179</sup> E.g. al-Ghazālī, *Iḥyā’* (Beirut: Dār al-Nadwah, n.d.); Ibn Abī al-Dunyā, *Iṣlāḥ al-māl* (Beirut: Mu’assasa al-Kutub al-Thaqāfiyya, 1993); Al-Muḥāsibī, *al-Makāsib wa al-Wara’* (Beirut: Mu’assasa al-Kutub al-Thaqāfiyya, 1987).

<sup>180</sup> Wael Hallaq, *The Impossible State*, 137, 150.

<sup>181</sup> Seyyed Vali Reza Nasr, “Islamization of Knowledge: A Critical Overview,” 398.

<sup>182</sup> Bassam Tibi, *Islam between Culture and Politics* (New York: Palgrave, Macmillan, 2005), 157.

<sup>183</sup> “Economics in Islam merely prepares man’s social setting in such manner as to accommodate his spiritual satisfaction. It is based on the premise that Islamic economics, in practice, tends toward greater concern for society than is the case in Western economics.” Seyyed Vali Reza Nasr, “Islamization of Knowledge: A Critical Overview,” 398.

<sup>184</sup> Syed Farid Alatas, “Islam and Modernization,” 212; Baqir Al-Hasani, “The Concept of *iqtiṣād*,” in Baqir Al-Hasani and Abbas Mirakhor, eds., *Essays on Iqtiṣād: The Islamic Approach to Economic Problems* (Silver Spring, Maryland: Nur Corporations, 1989), 24; see also Rafīq Yūsuf al-Maṣry, *Usūl al-Iqtiṣād al-Islāmi* (Damascus: Dār al-Qalam, 1987).



uplift.<sup>185</sup> Similarly, given knowledge of such an approach, the Islamic concept of development cannot be read as a purely economic development, but as a combination of moral, spiritual, and material aspects that pertain to the *here* and the *hereafter*, embodied in the concept of *tazkiyya* as both material and spiritual purification as well as growth.<sup>186</sup> The *maqāmāt* of *tazkiyya*, as both a process of learning and applying, means maximizing social welfare and spiritual restoration in developing political, socioeconomic, and technological factors based on *akhlāq* as moral conditions. Thus the conception of *iqtiṣād*, first, has to be reevaluated in its connection with conventional economic theory and philosophy; second, it must reassess the ontological foundation of economic science and the roots of the modern nation-state; and lastly, it has to reach beyond the legal confinements of contemporary Islamic economic science.<sup>187</sup> The vision, philosophy, ontology, methodology, and epistemology of *iqtiṣād* would have to affirm a moral character since it deals with behavioural analysis and not a scientific framework as it was conceived in 17<sup>th</sup> century Europe.

It is clear that the principles of economic and spiritual development are composed of precepts of ethics of science and ethics of prosperity.<sup>188</sup> Many classical Muslim thinkers believed that riches trigger carnal desires.<sup>189</sup> Choosing spiritual poverty instead of material excess is a well-intended (ascetic) prescription for achieving redemption. For many medieval Muslim scholars, choosing poverty and deprivation over wealth was a Sufi prescription intended to increase one's well-being, for "poverty is better and safer than affluence because the poor have less of an interest in the worldly affairs and to that extent, they will be more inclined to prayer and pious reflection," and "in the majority of cases the danger of poverty is less than that of

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<sup>185</sup> Similarities can be drawn also to early Christian theology and the concept of *oikonomia* as providence, in that the economic and the providential paradigms are interconnected. See Clement of Alexandria, *The Stromata, or Miscellanies*, 1962, Book VI, Chapter XV, in *The Ante-Nicene Fathers*, Vol. II, ed. Rev. A. Roberts and J. Donaldson (Grand Rapids, MI: Wm. B. Eerdmans Publishing, 1962).

<sup>186</sup> Khurshid Ahmad, "Economic Development in an Islamic Framework," in *Studies in Islamic Development*, ed. Khurshid Ahmad (Jeddah: International Centre for Research in Islamic Economics, 1980), 179.

<sup>187</sup> For Haneef and Furqani, who adhere to Islamization of economics, *usūl al-iqtiṣād* would have to involve epistemology and methodology beyond the scope of *usūl al-fiqh*. Mohamed Aslam Haneef, Hafas Furqani, "Usul al-Iqtisad: The Missing Dimension in Contemporary Islamic Economics and Finance," in *Readings in Islamic Economics and Finance*, eds. Nur Azura Sanusi et al (Sintok: Universiti Utara Malaysia Press 2007), 8-9.

<sup>188</sup> "The rights concerning government, power, and the just relationship between the ruler and the ruled are among the most significant elements of these rights. Therefore, the effort to restrain and restrict power is closely related to the establishment of justice and human rights. Indeed, the two efforts are in such constant exchange and harmony that any trouble or tension in one reverberates in the other. Justice, then, is a metareligious category, and the right and acceptable religion should, inevitably, be just." Abdolkarim Soroush, *Reason, freedom, and democracy in Islam: essential writings of Abdolkarim Soroush*, 52 and 132.

<sup>189</sup> Al-Ghazālī, *Iḥyā'*, Vol. 2, 83, and Vol. 3, 227.

affluence, because the temptations of wealth are greater than those of poverty.”<sup>190</sup> On the other hand, for instance the Iranian poet Saadī (d. 1292), sought the superiority of wealth over poverty,<sup>191</sup> since for him financial provision meant spiritual security.<sup>192</sup>

A hermeneutical reading that studies economic thought as “the process of extracting economic meaning from the first order interpretation”<sup>193</sup> which is classical intellectual thought, would reinvigorate the processes of knowledge that were disposed through the application of the utilitarian philosophy of economics in the modern era. Unlike Western classical economic thought, Islamic intellectual history reveals the intricate relation between means and ends, while combining metaphysical truth with worldly deeds.<sup>194</sup> In this respect, nature and natural sciences correspond to the cosmological understanding of social organization of human productivity. Unlike conventional economics, which are governed by their own logic, every aspect of life has in Islamic tradition an inner dimension (*bāṭin*) that constitutes part of the *absolute*, including the acquisition of work as a spiritual endeavour.<sup>195</sup> A minimal division of labour as work is, according to various Muslim scholars, necessary only to assert the objective of work and the maintenance of each profession in society, and as such perceived as part of the collective obligations (*farḍ al-kifāya*). The minimal division of labour is hence a duty and a right.<sup>196</sup> The interconnectedness between economic activities, spirituality and *Sharī‘a*’s moral predicaments highlights an overall development of an economic-moral equilibrium, which renders lucrative market economy and industrial norms of production as devoid of moral quality.<sup>197</sup> In relation to

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<sup>190</sup> Abdolkarim Soroush, *Reason, freedom, and democracy in Islam: essential writings of Abdolkarim Soroush*, 19-20.

<sup>191</sup> “On the contrary, if the virtues of poverty and those of wealth are properly observed, they would be morally equivalent. If the modern way of life is somehow flawed, it is not because it fails to be poor and patient, but because it fails to be rich and grateful.” Abdolkarim Soroush, *Reason, freedom, and democracy in Islam: essential writings of Abdolkarim Soroush*, 25.

<sup>192</sup> Poverty as a technology of the (moral) self is related also to the concept of positive liberty as an anti-Berlinian outlook, whereby it is – unlike the negative or coercive freedom – described as a liberty that “derives from the wish on the part of the individual to be his own master.” Free action (also to devote oneself to spiritual poverty) is neither limited by law (Isaiah Berlin) nor by the carnal desires of the self (al-Ghazālī), but derive directly from views of what constitutes a (moral) self. See Isaiah Berlin, *Liberty* (Oxford: Oxford University Press, 2002), 166-217.

<sup>193</sup> Abbas Mirakhor, *A note on Islamic Economics*, 18.

<sup>194</sup> See e.g. Titus Burckhardt, *Alchemy: Science of the Cosmos, Science of the Soul* (Louisville, Kentucky: Fons Vitae, 1997).

<sup>195</sup> On more on the traditional economic account on work, see Ernst F. Schumacher, *Good work* (New York: Harper & Row, 1979), 3-4. See also Waleed El-Ansary, “Lining Ethics and Economics for Integral Development: The Need for a New Economic Paradigm and the Three Dimensions of Islam,” *Al-Alwani Lectures*, Washington Theological Consortium, 2.

<sup>196</sup> Waleed El-Ansary, “Lining Ethics and Economics for Integral Development: The Need for a New Economic Paradigm and the Three Dimensions of Islam,” 2.

<sup>197</sup> “The basic aim of modern industrialism is not to make work satisfying but to raise productivity; its proudest achievement is labor saving, whereby labor is stamped with the mark of undesirability.” Ernst F. Schumacher, *Good work*, 28.

pluralistic epistemology, work requires “a *multiple* utility approach in which each type of value combines an essentially useful object with the corresponding capacity to use it... The solution from the Islamic point of view is therefore *multiple* use values on one hand and a spiritual end on the other hand.”<sup>198</sup>

The true relevance of economic design in Islamic tradition is its attachment to higher moral imperatives, which should be conceived in a social milieu whose politics and legal practices are subordinated to those very principles. (Muslim) scholars and economists should not take the entities of acquisition of nation-state, modern technology, and wealth for granted. Given that money has no inherent value,<sup>199</sup> it is about the exchanges and transactions between people; it is not objective, but rather a collective story. Money became innately libertarian in that it has a value because members of society agreed upon such an arrangement. The obsolescence of money is related to the swift development of technology, which is already picking up work that is being produce by humans.<sup>200</sup> This also means that the acquisition of wealth will not be the driving force of humanity, while in the post-scarcity world of cashless societies, man will become more dependent on renewable energy surplus and as a resource-based economy. The convoluted relations among economic gains, acquisition of wealth, and social responsibility are evident in the socioeconomic history of Islam, whereby forms of economic asceticism were accompanied by spiritual modes of development. Instead of following the laws of physics and secular economics, the future of (Islamic) economic thought ought to follow the laws of nature and moral predispositions.

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<sup>198</sup> Waleed El-Ansary, “Lining Ethics and Economics for Integral Development: The Need for a New Economic Paradigm and the Three Dimensions of Islam,” 12; see also Naṣīr al-Dīn Tūsī, *The Nasirean Ethics*, trans. G. M. Wickens (London: G. Allen & Unwin, 1964).

<sup>199</sup> E.g. *Mizān al-‘Amal* (Cairo: Dār al-Ma‘arif, 1964), 372; idem, *Iḥyā’*, Vol. 3, 231.

<sup>200</sup> A. Y. Al-Hassan, ed., *Science and Technology in Islam: Technology and Applied Sciences* (Paris: United Nations Educational, Scientific, and Cultural Organization, 2001).

## Conclusion – Moral over Legal, Pluralistic over Monolithic

Every economic system claims its moral primacy.<sup>1</sup> According to Hallaq, the jugular vein of liberalism lies in its economic outlook; the current economic system dominates the very understandings of key concepts employed by economists in how we perceive economic activities, ideas, norms, laws, its methodology, and epistemology. Making an economic system more humane (purportedly the domain of business ethics) is a noble endeavour in itself, yet humanizing economics does not include the restructuring of conventional economic system, which rests upon the scientific, philosophical, political, and cultural theories of early modern Europe.

This thesis inquires how Islamic economic system emerged as a distinct field and what forces contributed to its development. The Muslim neo-revivalists treated economics as part of their agenda in creating an Islamic state and society. Only when Islamic economics became a constitutional force in the second half of the 20<sup>th</sup> century in that it asserted a particular religious identity did it maintain a convincing foothold in the politico-economic landscape of Muslim-majority countries. Further, proponents of the Islamization process like Isma'il al-Faruqi, Nejatullah Siddiqi, Alam Choudhury, Umer Chapra, and others, considered Islamic economics as a tenacious discipline that was, however, conceived within the current division of social sciences. I contend that such a development can be attributed to the structural applicability of Western economic systems, and the political variance of Muslim reformists, culminating in a particular and monolithic explication of classical Islamic scholarship.

Given the nature of the discipline of (Islamic) economics, modern Muslim intellectuals are faced with a two-fold predicament: how to reconcile the ontological fact of the state and its power structure,<sup>2</sup> and how to ponder upon the epistemological fact of bringing *Sharī'a* as a legal tool into the contemporary discourse of Islamic economics. This issue precludes an economic theory that would examine real-life socioeconomic circumstances in Muslim-majority countries, their social and educational institutions,<sup>3</sup> as well as the study of moral-economic concepts in Islamic intellectual history, such as *zakāt*, *ribā*.<sup>4</sup> Reviewing the relations between these factors

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<sup>1</sup> Ayn Rand, "The Moral Meaning of Capitalism," in eds. James L Doti and Dwight R. Lee, *The Market Economy: A Reader* (Los Angeles: Roxbury Publishing Company, 1991), 12-14.

<sup>2</sup> For more see, Wael Hallaq, *The Impossible State*, x.

<sup>3</sup> Muhammad Akram Khan, "Islamic Economics: The State of the Art," 289.

<sup>4</sup> *Zakāt* has not been sufficiently institutionalized throughout the Muslim countries, and it has not attained a high level of economic development despite its ethical considerations: "In Pakistan, zakat revenue was estimated to be no more than 0.2 per cent of GDP by 1994 and in Iran, where zakat has been collected by government agencies, it has

and *Shari'ah* moral values – and not simply applying Western-style economic mechanisms – is what the theory of moral cosmology entails and explicates. Because of a diffuse between economic doctrine and the rule of civil law in the context of contemporary Islamic economics, the legal aspect has to be revisited. Economic doctrine is a collection of the basic theories treating the problems of economic life, whereas civil law is legislative enactment that regulates also monetary policy. It would be a mistake to propose Islamic ordinances (rules of law) related to the Islamic economic doctrine as separate from the moral restructuring, for the moral substrate of economic activities has laid rules for the structure of the law and not vice versa.

Economic laws in Islam are virtuous laws. The longue *durée* of Islamic economic history that comprises mystical influences, moral values, and 20<sup>th</sup> century-based methodological developments, consists of a structural crisis that stems from the Western development of natural and social sciences rooted in the modernist discourse, which have impacted the contemporary Islamic economics. One of the first steps in recovering Islamic intellectual history of economic teachings is to reshape the modern understanding of metaphysics, knowledge, science, and technology.<sup>5</sup> The combination of ethics and economics has to break out from the cycle of the utilitarian philosophy and vision of nature, in order to recuperate the virtuous objectives of economics that have been lost or disregarded.<sup>6</sup> The moral restructuring – as the spiritual and socioeconomic technology of the self – will be effectively applied only insofar as if premodern Islam is scrutinized in view of affirming the cultural, political, and cognitive specifics of its own worldview. This necessitates not only reaching beyond the structures of the nation-state, reorientating governmental policy planning, and resources allocation, but also cultivating the moral refurbishing of man that is consistent with the forms of knowledge of Islamic sciences of nature.

Distinct and ubiquitously present Islamic economics has to re-examine its relation to its own subject matter, its methodological constraints and epistemological inconsistencies, not only in how it addresses and solves the socioeconomic problems of today's (Muslim) societies, but also, first and foremost, by how it negotiates fact and value, *is* and *ought*, and *'ilm* and *'amal*. What one calls “Islamic economics,” “Islamic economic thought,” “Islamic economic system,” or “Islamic economic philosophy” can be justifiably established as its own discipline and on its own

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had no measurable impact on the inequalities of power at the heart of the political economy.” Charles Tripp, *Islam and the Moral Economy*, 125. See also Ishrat Hussein, *Pakistan – The Economy of an Elitist State* (Karachi: 1999); Din Pal, *Pakistan, Islam and Economics* (Karachi: 1999).

<sup>5</sup> Titus Burckhardt, *Alchemy: Science of the Cosmos, Science of the Soul* (Louisville, Kentucky: Fons Vitae, 1997); Ernst F. Schumacher, *Small is Beautiful* (London: Perennial Library, 1973), 120.

<sup>6</sup> “Positivism is marked by the final recognition that science provides the only valid form of knowledge and that facts are the only possible objects of knowledge.” Egan, Kieran, *The Educated Mind* (Chicago: University of Chicago Press. 1997), 115–116.

terms only insofar as if it is grounded in the moral premise of Islamic tradition. Such postulates set forth a pluralistic epistemology, combining and merging knowledge of Islamic theological, philosophical, mystical, legal, and scientific reasoning. The call for a past knowledge is not a nostalgic one echoing a long-passed wisdom; rather, it incites an Islamic intellectual history that promotes a multitude of knowledge – likewise including the translation of concepts and their meanings whose value was mitigated. A pluralistic epistemology is in itself never solely attached to one (epistemic) domain in particular, but fluctuates between various realms of knowledge, while being fashioned around moral categories. Precisely such an application of a hermeneutical reasoning is requisite for one, understanding economic behaviour in order to re-establish economic reasoning from the bottom-up, and two, critically motivating the contemporary project of (Islamic) economics towards its intellectual *and* moral apotheosis.

## Appendix: Figures

Figure 1. History and Development of Economic Thought in Islamic Tradition.

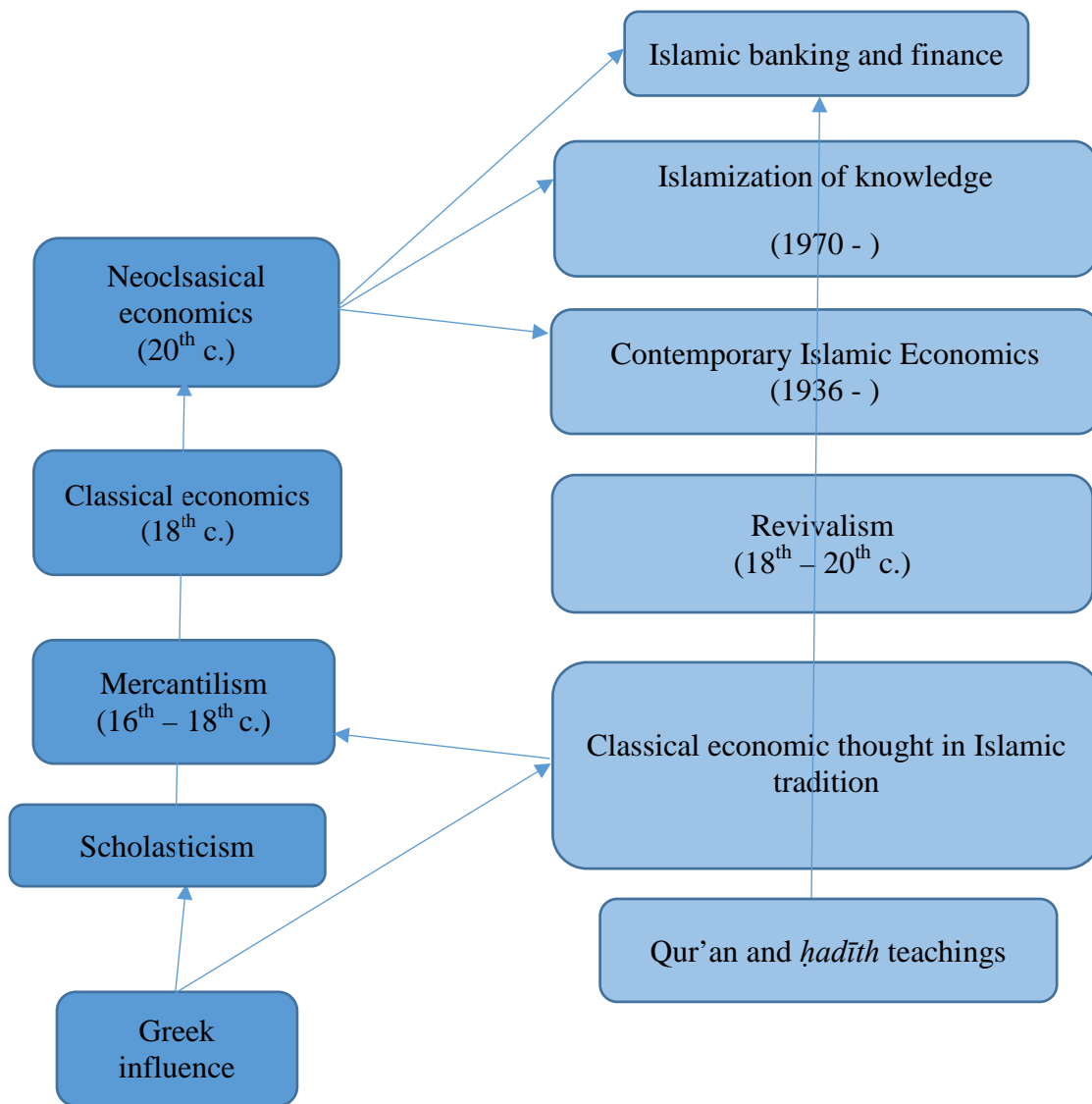


Figure 2. *Kasb-Zuhd* Amalgam under the Banner of *Tawakkul*.

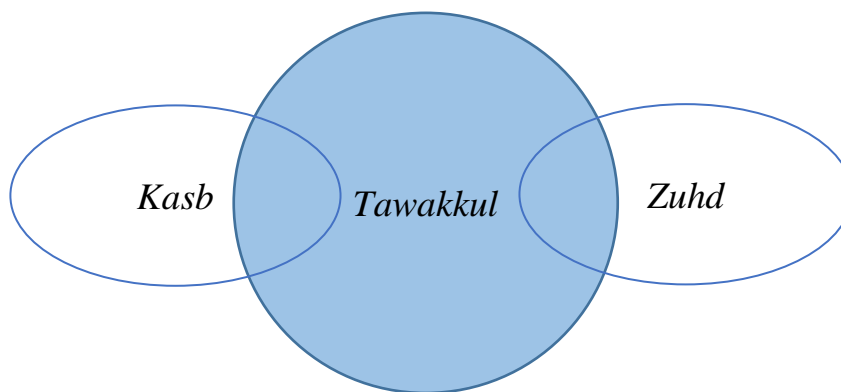




Figure 3. Categorization of the Contingent Fields of Economy, Society, and Ecology within the Cosmological Order.

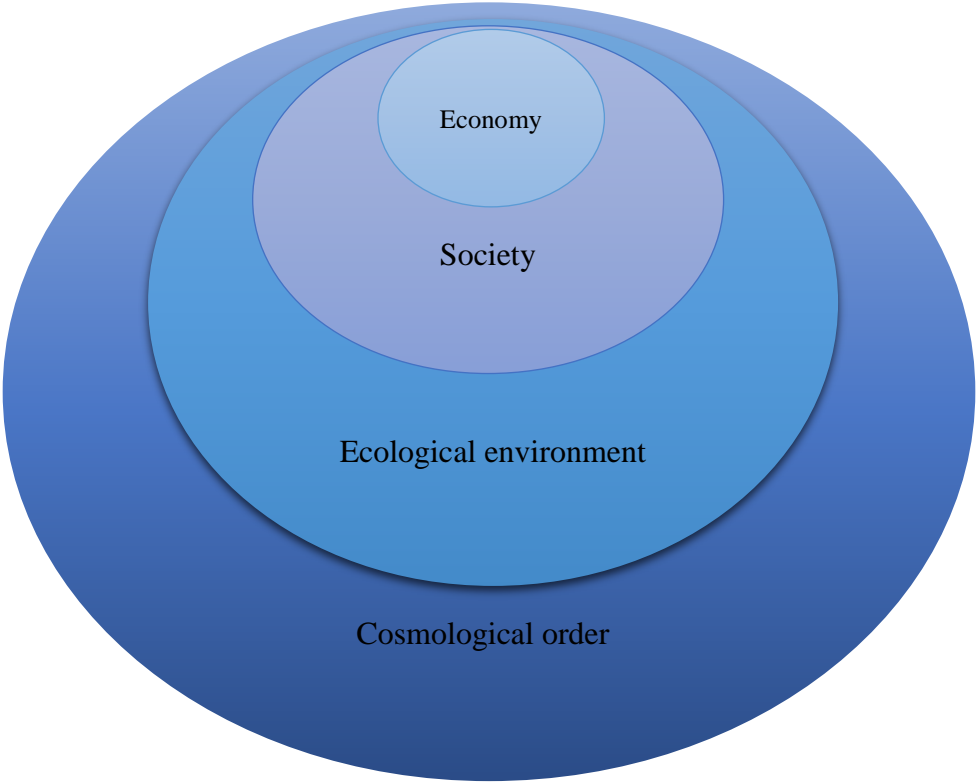
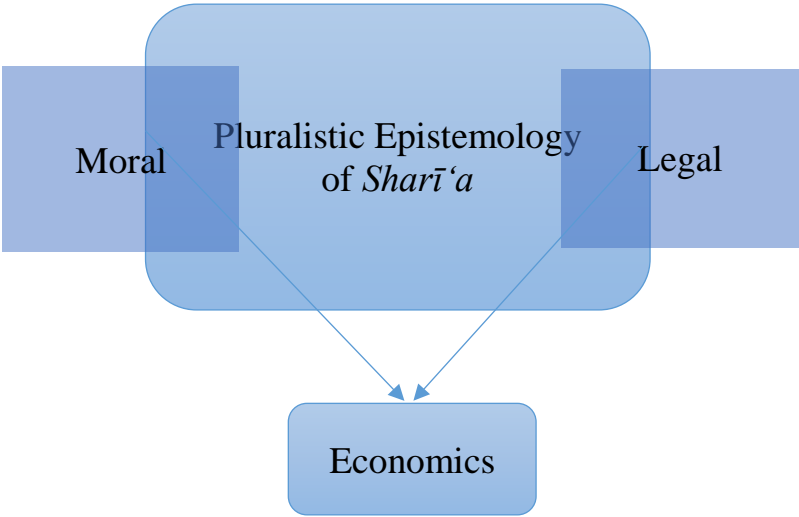


Figure 4. Economic Behavior as the Result of the Pluralistic Epistemology *Sharī'a*, Infused with the Moral and Legal Domain.



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## Summary

This dissertation primarily investigates both the genealogy and epistemology of the contemporary notion of ‘Islamic economics,’ analysing and comparing the two with classical Islamic economic thought and its moral philosophy.

This dissertation explores the contemporary discourse of Islamic economics, and it is divided into five chapters. The introduction summons early modern Europe’s economic philosophy through the Cartesian reducibility of quality to quantity. Chapter One is concerned with the sociopolitical and epistemological developments in Muslim countries at the turn of the 20<sup>th</sup> century, and the formation of the modern nation-state as a distinctly European project. It explores Muslim revivalists’ vision of an Islamic state and society within the parameters of a modern state, as well as Muslim scholars’ re-appropriation of mainstream economics theories through the Islamization of knowledge process. Chapter Two analyzes contemporary Muslim economists and their contradictory views on, justifications of, and concerns with Islamic economics as a new discipline. Chapter Three presents the crux of the thesis by extrapolating classical economic tradition in Islam through moral, theological, metaphysical, and spiritual ideas of major Islamic scholars, jurists, and Sufis. Chapter Four critiques contemporary Islamic economics as a disciplinary synthesis of Western economics and basic Islamic tenants. Chapter Five introduces a new hermeneutical approach to the study of economic thought in Islamic tradition as a multifaceted field.

Contemporary Islamic economics is the result of a series of processes that were set in motion by the colonization of the Muslim nations in Africa, Middle East and South (east) Asia, followed by the creation of the modern nation state. These developments led, among others, to the substitution of Islamic law by Western-inspired laws, and by subsequent calls of Muslim reformers in the first half of the 20<sup>th</sup> century to create an Islamic state and society. Islamic economics emerged as a distinct field of study only in the second half of the 20<sup>th</sup> century, and it has been conceptualized also within the framework of the Islamization of knowledge process in the 1970s. Muslim economists combine neoclassical economic ideology with basic Islamic tenants. However, by studying classical economic philosophy in Islam, I argue that premodern economic thought in Islamic tradition treated economic activities primarily as a moral endeavour and hence as part of the overall metaphysical qualities of *Shari‘a*, combining activities of *kasb* (acquiring provision) and *zuhd* (renouncing the mundane). I propose approaching economic thought in Islam from a polyvalent and interdisciplinary perspective that requires a new reading, which treats economics as part of an overall moral cosmology. This research does not only address what the



concept of Islamic economics and moral conduct mean – *iqtisād* as an activity of seeking and realizing what is judicious and frugal – but also critically engages with the idea of contemporary Islamic economics and finance as a Western legacy and intellectual continuum.

## Samenvatting

Deze dissertatie onderzoekt zowel de genealogie als de epistemologie van het hedendaagse begrip ‘islamitische economie’, door een analyse en vergelijking van deze twee met het klassieke islamitische gedachtegoed en de moraalfilosofie daarvan.

Deze dissertatie is een studie van het hedendaags discours van islamitische economie, en is verdeeld in vijf hoofdstukken. De inleiding roept in herinnering de vroegmoderne Europese economische filosofie middels de cartesische onderverdeling van kwantiteit en kwaliteit. Hoofdstuk Een gaat in op de sociaalpolitieke en epistemologische ontwikkelingen in moslimlanden aan het begin van de twintigste eeuw, en de vorming van de moderne natiestaat als een uitgesproken Europees project. Het onderzoekt de visie die de moslimse herlevers (‘revivalists’) hebben van een islamitische staat en samenleving binnen de parameters van de moderne staat, alsmede de toe-eigening door moslimgeleerden van algemene economie-theorieën door middel van het proces dat bekend werd als ‘Islamization of knowledge.’ Hoofdstuk Twee analyseert hedendaagse moslimse economen en hun tegenstrijdige visies op, rechtvaardiging van, en zorgen over de islamitische economie als een nieuwe discipline. Hoofdstuk Drie is het cruciale onderdeel van deze dissertatie: de klassieke economische traditie van de islam wordt geëxtrapoleerd door gebruikmaking van het morele, theologische, metafysische en spirituele gedachtegoed van toonaangevende islamitische geleerden, juristen en mystici (soefis). Hoofdstuk Vier is een kritiek op de hedendaagse islamitische economie in zijn verschijning van een disciplinaire synthese van Westerse economie en islamitische beginselen. Hoofdstuk Vijf introduceert een nieuwe hermeneutische benadering, als een meervoudig terrein, van de studie van het economisch denken in de islamitische traditie.

De hedendaagse islamitische economie is het gevolg van een serie van processen die in gang zijn gezet door de kolonisatie van moslimlanden in Afrika, het Midden-Oosten en Zuid (Oost) Azië, gevolgd door de vorming van de moderne natiestaat. Deze ontwikkelingen hebben onder meer geleid tot de vervanging van islamitisch recht door Westers-geïnspireerd recht en vervolgens in de eerste helft van de twintigste eeuw door de roep van moslimhervormers tot de vestiging van een islamitische staat en samenleving. Islamitische economie kwam op in de tweede helft van de twintigste eeuw als een apart onderzoeksterrein en werd als zodanig ook vormgegeven in het raamwerk van het ‘Islamization of knowledge’ proces van de zeventiger jaren. Moslimeconomen combineerden een neoklassieke economische ideologie met islamitische grondbeginselen. Echter, vanuit het perspectief van klassieke economische filosofie betoog ik dat het premoderne economisch denken in de islamitische traditie het economisch handelen vooral

beschouwde als een morele aangelegenheid, en derhalve als onderdeel van de metafysische kwaliteiten van de *shari'a*, waarbij het activiteiten combineerde van *kasb* (verkrijging van levensmiddelen) en *zuhd* (afstand doen van het wereldlijke). Ik stel daarom voor om het economisch gedachtengoed van de islam te benaderen vanuit een polyvalent en interdisciplinair perspectief, hetgeen een nieuwe lezing vereist dat economie beschouwt als een alomvattende morele kosmologie. Dit onderzoek gaat niet alleen in op de betekenis van islamitische economie en moreel gedrag – *iqtisad* als een activiteit van zoeken naar en realiseren van wat correct en spaarzaam is – maar het gaat tevens op kritische wijze in op de opvatting dat hedendaagse islamitische economie en financiën een Westerse erfenis en intellectueel continuüm zou zijn.

## CV

Sami Al-Daghistani (born in 1986 in Kranj, Slovenia) obtained a Double-major BA in Sociology of Culture and Comparative Literature at the University of Ljubljana. He Studied Islamic Studies and Arabic in Sarajevo (2010), Cairo (2011), Rabat (2012), and at the Institute for Islamic Studies, at McGill University in Montreal (2014). In 2013, he obtained his Research MA in Middle Eastern Studies from Leiden University. Between 2015 and 2017 he was a Visiting Scholar at The Department of Middle Eastern, South Asian, and African Studies (MESAAS) and at the Institute for Religion, Culture, and Public Life (IRCPL), at Columbia University. In the academic year of 2014-2015, Sami taught two courses at LUCSoR, Leiden University – *Fiqh and Usul al-fiqh*, and *Islamic Ethics*. He has given numerous guest lectures and seminars, as well as attended various international conferences. Since Fall 2017, he is a Research Scholar at the Institute for Religion, Culture and Public Life, at Columbia University, and a Research Fellow at the Department of Culture Studies and Oriental Languages, at the University of Oslo, working on several projects (pluralism in emergencies; populism in the Middle East, Europe, and the US; environmental humanities and ecological economics), and teaching in the field of Islamic intellectual history.

His publications include two edited volumes on the Second Gulf War in Iraq (*Osvobajanje Iraka*, ČKZ, 2010), and on Middle Eastern culture and politics (*Islam in Bližnji vzhodi*, ČKZ, 2013). In 2017, he published two book translations from Arabic into Slovenian – Ibn Battuta's *Rihla* (*Veliko popotovanje*, Skodelica kave, Univerza v Ljubljani) and Ibn Tufayl's *Ḥay ibn Yaqzān* (*Živi sin budnega*, KUG Logos). His monograph on Abū Ḥamid al-Ghazālī's economic philosophy is forthcoming in 2018.