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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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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 19th and early 20th 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 20th 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 20th 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 force¹ 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,

¹ 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 20th century.² Despite its politicized ideas, Islamism was, in essence, a project about social justice and moral Islam.³ 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.⁴ 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.⁵

Given the underlying correlations between the late 19th and early 20th 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,

² 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.

³ Wael Hallaq, *The Impossible State*, 12.

⁴ 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>.

⁵ 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 20th 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)⁶ 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,⁷ 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.⁸ As a response to that abrupt alternation of the local social systems and the negation of cultural ambiguity of Islamic traditional culture,⁹ 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.¹⁰ 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

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

⁷ 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.

⁸ See e.g. Wael Hallaq, *Sharī‘a*, 357-370.

⁹ Thomas Bauer, *Die Kultur der Ambiguität*, 14, 16, 18.

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

and the intellectual makeup they generated.¹¹ 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 19th 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.¹² 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 20th century, yet Islamic economic literature, which would form the discipline, emerged in the 20th century¹³ 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*¹⁴ and Ahmed Khurshid, all of whom were to some extent influenced by the *nahḍa* scholars.¹⁵ Still, it is only the Islamization of knowledge process, which commenced in the late 1970s with Isma'il al-Faruqi'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.

¹¹ Thomas Bauer, *Die Kultur der Ambiguität*, 222-223.

¹² Rodney Wilson, *A Short History of Islamic Economics*, 315.

¹³ 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.

¹⁴ 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.

¹⁵ As it will be evident in the following pages, in the 20th 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.¹⁶ 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.¹⁷ Broadly speaking, four different groups of scholars write on the subject of Islamic economics.¹⁸ 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.¹⁹

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

The 19th 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.²⁰ "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."²¹ Jamāl

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

¹⁷ 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.

¹⁸ Necati Aydin, "Redefining Islamic Economics as a New Economic Paradigm," 24.

¹⁹ 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.

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

²¹ 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,²² Muḥammad ‘Abduh,²³ Rashīd Riḍā,²⁴ Muhammad Iqbal,²⁵ Fazlur Rahman,²⁶ and others form the modernist camp. The second group is comprised of scholars such as Ḥasan al-Bannā, Syed Quṭb,²⁷ Abū al-A‘lā Mawdūdī,²⁸ Muḥammad Bāqir al-Ṣadr,²⁹ Isma‘il al-Faruqī,³⁰ 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 Mannan³¹ and Ahmad Khurshid,³² 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 19th 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

²² 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).

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

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

²⁵ Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, electronic version, accessed March 12, 2017, www.alhassanain.org/english.

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

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

²⁸ 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).

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

³⁰ 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).

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

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

cultures into the commercial, industrial, and economic structures of an emerging nation-state.³³ 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.³⁴ Al-Afghānī's political views indicate an interest in adopting a constitutional government with active citizenship using a pan-Islamic model.³⁵ 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*),³⁶ 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 critique³⁷ of socialism and materialism are expressed as a

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

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

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

³⁶ See Jamāl al-Dīn al-Afghānī, *Al-A'mal al-kamila*, ed. Muhammad '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).

³⁷ "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.³⁸ 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,³⁹ they parted paths in how to incorporate the Western sciences, knowledge, and political systems into an Islamic vision of society.⁴⁰ 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.⁴¹ 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.⁴² 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.⁴³ 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;⁴⁴ Ḥasan al-Bannā (1906-1949) of the Muslim Brotherhood, who lamented the loss of Islamic spirit

³⁸ Jamāl al-Din al-Afghānī, *Al-A‘mal al-kamila*, ed. Muhammad ‘Imarāh, 413-422; Nikki R. Keddie, *Sayyid Jamal ad-Din “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-Din “al-Afghani”* (Berkeley: University of California Press, 1983).

³⁹ Iza R. Hussin, *The Politics of Islamic Law*, 177.

⁴⁰ Rodney Wilson, *A Short History of Islamic Economics*, 321.

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

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

⁴³ “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.

⁴⁴ 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.⁴⁵ 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.⁴⁶

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.⁴⁷ Even though he flirted with socialist ideas,⁴⁸ Quṭb believed that Islam put forward basic principles of social justice and provided mechanisms to preserve the egalitarian structure between the poor and wealthy.⁴⁹ 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.”⁵⁰

⁴⁵ Charles Tripp, *Islam and Moral Economy*, 51.

⁴⁶ 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.

⁴⁷ 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.

⁴⁸ “...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.

⁴⁹ “... 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.

⁵⁰ 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.⁵¹ 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.⁵² Two interrelated key concepts in Iqbal's vocabulary for the resurgence of Islam were *khudi* and *tawhīd*.⁵³ *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,⁵⁴ 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.⁵⁵ Yet, while Iqbal was openly using Western sources and literature, Mawdūdī, despite

⁵¹ 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, 2nd edition Karachi: Iqbal Academy, 1961).

⁵² Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, 56.

⁵³ "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.

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

⁵⁵ "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."⁵⁶ 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.⁵⁷ 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,⁵⁸ indicating a unity of spirit and matter and embodied in the term *khudi*.⁵⁹ 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.⁶⁰ His theory of Islam did not rest solely on an Islamic state, but rather on the conception of God that is

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

⁵⁷ "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.

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

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

⁶⁰ "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.⁶¹ He believed that Marxism could not provide the ideological means for its own liberation,⁶² thus he focused on Islam as a revolutionary ideology and thought of Shi'ism as a complete party.⁶³ 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.⁶⁴

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.⁶⁵ His religious reform of Islam centered both on the Qur'an, which is perceived to contain a revolutionary theory, and *tawhīd*⁶⁶ as an absolute unity of God and all things connected to God.⁶⁷

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

⁶¹ 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.

⁶² "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.

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

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

⁶⁵ Ali Shari'ati, *Marxism and Other Western Fallacies*, 73.

⁶⁶ Hamid Dabashi, *Theology of Discontent*, 129-134.

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

⁶⁸ "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.⁷¹

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

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.

⁶⁹ Fazlur Rahman, *Islam and Modernity*, 116 ff.

⁷⁰ “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.

⁷¹ 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.⁷²

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.⁷³ 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 20th 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 money⁷⁴ both as a commodity and as a *tour de force* of

⁷² 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. Rajaee Lexington (KY: Mazda Publishers, 1983), 88-101

⁷³ “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.

⁷⁴ 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 1950s⁷⁵ 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.”⁷⁶ *Dīn wa dawla*, however, was not a traditional phrase invoked in premodern Islam, but only appeared during the anticolonial movements towards the late 19th century.⁷⁷ 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.⁷⁸ The popular movements for decolonization, national independence, and state activism that developed in the early 20th 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

⁷⁵ 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.

⁷⁶ Charles Tripp, *Islam and Moral Economy*, 77.

⁷⁷ “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 anticolonialistischen 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 yur 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.

⁷⁸ 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.⁷⁹ 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.⁸⁰ 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.⁸¹ 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.⁸² 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 20th 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.⁸³ 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.⁸⁴

⁷⁹ "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.

⁸⁰ 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).

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

⁸² 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.

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

⁸⁴ 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.⁸⁵ 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 20th 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.⁸⁶ 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

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.

⁸⁵ 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.

⁸⁶ 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.⁸⁷ 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 1972.⁸⁸ Between 1921-1924, he was involved in the *Khilafat* movement, and later in the *Jami‘at-i Ulama-i Hind*.⁸⁹

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,⁹⁰ 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.”⁹¹ 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.”⁹² 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.⁹³ He understood that the underlying difference between *Sharī‘a* and *dīn* was that religion, translated as *dīn*,⁹⁴ always remained the same, whereas *Sharī‘a* contained multiple forms that have undergone alterations in order to adapt to new realities and times.⁹⁵ In light of his idea of *umma*-based Islamic state,

⁸⁷ Roy Jackson, *Mawlana Mawdudi and Political Islam*, 83.

⁸⁸ Seyyed Reza Vali Nasr, *The Vanguard of the Islamic Revolution*, 3.

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

⁹⁰ 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.

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

⁹² Abu A’la al-Mawdudi, *Towards Understanding Islam*, 82.

⁹³ Abu A’la al-Mawdudi, *Als Muslim leben* (Karlsruhe: Cordoba Verlag, 2001), 57.

⁹⁴ “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.

⁹⁵ 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.”⁹⁶

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 salafi.”⁹⁷ 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).⁹⁸

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.⁹⁹ As a result, he adopted a more literalist approach to the Qur’an but did not contest against

⁹⁶ 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.

⁹⁷ Roy Jackson, *Mawlana Mawdudi and Political Islam*, 106.

⁹⁸ Abu A’la al-Mawdudi, *Towards Understanding Islam*, 50.

⁹⁹ 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.¹⁰⁰ 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.¹⁰¹ His reading of the Qur'an suggests not reinforcing the 7th 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.¹⁰²

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 20th 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

¹⁰⁰ 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.

¹⁰¹ 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.

¹⁰² On this point, it is crucial to reiterate that since the second half of the 19th century, *Shari'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, *Shari'a*, 371 ff.

then promulgate an Islamic vision of society.¹⁰³ 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.¹⁰⁴ 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,¹⁰⁵ 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.¹⁰⁶ 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 1941.¹⁰⁷

¹⁰³ "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.

¹⁰⁴ 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).

¹⁰⁵ 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.

¹⁰⁶ "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.

¹⁰⁷ Jamaat-e-islami Pakistan, accessed May 17, 2017, 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.¹⁰⁸ 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.'"¹⁰⁹ 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.¹¹⁰

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.¹¹¹

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.

¹⁰⁸ 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.

¹⁰⁹ Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 49.

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

¹¹¹ 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.¹¹²

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.¹¹³ The notion of an Islamic state was relevant to the idea of leading a moral and virtuous life,¹¹⁴ 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.¹¹⁵ Despite the fact that references to an Islamic state were generic in nature, given the absence of national

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.

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

¹¹³ Mawdudi, *Islamic Law and Constitution*, 4 f.

¹¹⁴ “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.

¹¹⁵ 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.¹¹⁶

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.¹¹⁷ 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.¹¹⁸ Despite his criticism of nationalistic tendencies and his support for transnational Islamic unity and universal *umma*, his diminished perception of the 20th 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,¹¹⁹

¹¹⁶ Mawdudi, *Islam: Its Meaning and Message*, 163-165.

¹¹⁷ 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).

¹¹⁸ 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.

¹¹⁹ 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.”¹²⁰ This development prompted the process of Islamizing modern sciences,¹²¹ 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.¹²² 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.¹²³ 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

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

¹²⁰ Seyyed Vali Nasr, *Mawdudi and the making of Islamic revivalism*, 51.

¹²¹ “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).

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

¹²³ Abdul Azim Islahi, “The Genesis of Islamic Economics,” 16.

in an institutional, bureaucratic and educational systematization of the discipline.¹²⁴ 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.¹²⁵ 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.¹²⁶ His theoretical writings were later developed by the following generations of Muslim economists.¹²⁷

Khurshid Ahmad, a respected economist of Islam and one of Mawdūdī’s students, transmitted, edited, and published his teachings on economics in Islam.¹²⁸ 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.¹²⁹ According to Islahi, it was Hamidullah who coined the term “Islamic economics.”¹³⁰ Originally from Haidarabad,

¹²⁴ 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.

¹²⁵ 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.

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

¹²⁷ “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.

¹²⁸ 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).

¹²⁹ 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).

¹³⁰ 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.”¹³¹ 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.¹³² 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.¹³³ 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.¹³⁴ 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.¹³⁵ 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.¹³⁶

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

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

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

¹³⁴ Islahi, “Hamidullah: Life and Works,” 4.

¹³⁵ “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 Mālkīyāt*, trans. Ahmad Jabbari and Farhang Rajaee (Lexington, Kentucky: Mazda Publishers, 1983).

¹³⁶ “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.¹³⁷

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,¹³⁸ 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.¹³⁹ As it will be shown in Chapter Two, literature on contemporary Islamic economics emphasizes ethical economic norms¹⁴⁰ and an interest-free economic system.¹⁴¹

¹³⁷ 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.

¹³⁸ 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.

¹³⁹ "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.

¹⁴⁰ 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."¹⁴² 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.¹⁴³ 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.¹⁴⁴ He rightly assessed that an economic problem is hence not only economic in nature, but it is also relevant to

¹⁴¹ 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).

¹⁴² 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.

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

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

morality, culture, and society,¹⁴⁵ 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"¹⁴⁶ 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.¹⁴⁷ As a centralized system of the means of production, it indicates that in practice a small executive body runs the collective ownership.¹⁴⁸ 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.¹⁴⁹ 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.¹⁵⁰ 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.¹⁵¹

Mawdūdī aims to discourage the delinking of economics from religion and morality.¹⁵² 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:

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

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

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

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

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

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

¹⁵¹ "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.

¹⁵² 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.¹⁵³

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,¹⁵⁴ 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.¹⁵⁵

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

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

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

¹⁵⁵ 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.¹⁵⁶ 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.¹⁵⁷ 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.¹⁵⁸ 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.¹⁵⁹ 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,¹⁶⁰ 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.¹⁶¹ 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

¹⁵⁶ 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.

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

¹⁵⁸ 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).

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

¹⁶⁰ 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).

¹⁶¹ 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.¹⁶²

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 20th 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.”¹⁶³ 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.¹⁶⁴ Al-Faruqi defines Islamization process as applying a new knowledge into the Islamic intellectual corpus,¹⁶⁵ 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.”¹⁶⁶ One of its aims, which targets contemporary knowledge, is to expand the methodology due to the shortcomings of traditional Islamic sciences.¹⁶⁷ 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

¹⁶² 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.

¹⁶³ Isma'il al-Faruqi, *Islamization of Knowledge*, 1.

¹⁶⁴ Isma'il al-Faruqi, *Islamization of Knowledge*, 36.

¹⁶⁵ Isma'il al-Faruqi, *Islamization of Knowledge*, 30.

¹⁶⁶ Isma'il al-Faruqi, *Islamization of Knowledge*, 85.

¹⁶⁷ 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.¹⁶⁸ 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,¹⁶⁹ and producing university-level texts books to recast the modern disciplines as imbued with Islamic vision.¹⁷⁰ 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,¹⁷¹ 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.¹⁷² In spite of Western disciplines not accepting the Islamic sources or division of knowledge,¹⁷³ 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.¹⁷⁴ 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

¹⁶⁸ Isma'il al-Faruqi, *Islamization of Knowledge*, 57-58.

¹⁶⁹ Isma'il al-Faruqi, *Islamization of Knowledge*, 57-82.

¹⁷⁰ 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, "Mafahīm 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.

¹⁷¹ Isma'il al-Faruqi, *Islamization of Knowledge*, 13-14.

¹⁷² Muhammad Amin, *An Analytical Appraisal of Islamization of Knowledge*, 5.

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

¹⁷⁴ Al-Attas, *Islam and Secularism*, 36 and 134-135.

knowledge from its interpretations based on secular logic.¹⁷⁵ 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.¹⁷⁶ *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.¹⁷⁷

However, for al-Attas, *ma‘rifah*¹⁷⁸ 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 *Islamīyatul ‘ulūm al-mu‘āṣirah*.¹⁷⁹ Science is hence regarded as a form of *ta’wīl* or allegorical interpretation of the empirical reality that constitute the natural and cosmological world,¹⁸⁰ whereas religion is constituted as an established law (*Sharī‘a*) and truth (*haqīqa*).¹⁸¹

¹⁷⁵ Al-Attas, *Islam and Secularism*, 44.

¹⁷⁶ Al-Attas, *Islam and Secularism*, 84.

¹⁷⁷ Al-Attas, *Prolegomena to the Metaphysics of Islam*, 114.

¹⁷⁸ “*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’ (*aḥwāl*). So *ma‘rifah* marks the spiritual transition – point between the spiritual station and the spiritual state.” Al-Attas, *Islam and Secularism*, 71.

¹⁷⁹ Al-Attas, *Islam, Secularism and the Philosophy of Future*, 127.

¹⁸⁰ Al-Attas, *Islam and the Philosophy of Science*, 116.

¹⁸¹ 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.¹⁸² 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*.¹⁸³ 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 knowledge¹⁸⁴ 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.¹⁸⁵ This entails isolating key Western concepts from a modern vocabulary such as secularism, humanism, and dualism – and infusing them with an Islamic epistemology.¹⁸⁶

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

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

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

¹⁸³ “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.

¹⁸⁴ Al-Attas, *Prolegomena to the Metaphysics of Islam*, 19.

¹⁸⁵ 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.

¹⁸⁶ 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.¹⁸⁷

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.¹⁸⁸ 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.¹⁸⁹ Eventually, the Islamic state of Pakistan¹⁹⁰ was at the forefront opposing the secular logic of the postcolonial state, when Muhammad Zia ul-Haq, a Pakistani four-star general and 6th 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*.¹⁹¹ Modern and Islamic education systems would

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

¹⁸⁸ 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.

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

¹⁹⁰ 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).

¹⁹¹ 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.¹⁹²

Pakistan turned to Islamization in order to consolidate political control and state formation.¹⁹³ In both Pakistan and Malaysia, when the establishment of state apparatus and national economy were still in their early stages,¹⁹⁴ the process of Islamization, which happened in 1977 and 1981 respectively, enabled a political hegemony over national identity and economic development.¹⁹⁵ 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,¹⁹⁶ 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

¹⁹² 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).

¹⁹³ 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.

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

¹⁹⁵ 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).

¹⁹⁶ "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.¹⁹⁷ The Islamization of state politics in those countries demarcated the adaptation of the postcolonial state apparatus based on the local cultural and social structures.¹⁹⁸ 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.¹⁹⁹ 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.²⁰⁰ In Malaysia, for instance, Islamic finance and interest-free banking were introduced by the government in 1983,²⁰¹ leading to the Islamization of educational curricula.²⁰² Islamizing academic disciplines in order to make them compatible

¹⁹⁷ “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.

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

¹⁹⁹ 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.

²⁰⁰ 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.

²⁰¹ “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 Sivill dan Syarie 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.

²⁰² 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.²⁰³

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.²⁰⁴

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.²⁰⁵ 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.²⁰⁶ Hundreds of works on Islamic economics, finance, and banking

²⁰³ 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.

²⁰⁴ Rodney Wilson, *A Short History of Islamic Economics*, 336.

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

²⁰⁶ 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,²⁰⁷ 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 20th 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.²⁰⁸ 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,²⁰⁹ whereby Islamic methodology invokes the knowledge of *Sharī‘a* and other secondary sources.²¹⁰ Muslim economists are

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

²⁰⁸ 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 8th 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.

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

²¹⁰ 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.²¹¹ 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.²¹² The objective of Islamic economics is thus “to arrive at descriptive hypotheses or assumptions that diagnose reality and link the various economic phenomena.”²¹³ Al-Faruqi’s eight-step Islamization plan,²¹⁴ which reintegrates *Sharī‘a* into the economic philosophy of Islam, has been referenced by Muslim economists such as Zarqa,²¹⁵ Monzer Khaf, Muhammad Haneef, and Mohammad Nejatullah Siddiqi.²¹⁶ 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.²¹⁷ 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

²¹¹ 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.

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

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

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

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

²¹⁶ 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.

²¹⁷ 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 19th and 20th 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,²¹⁸ while methodologically

²¹⁸ 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.²¹⁹ 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.²²⁰ 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.

²¹⁹ Muhammad Aslam Haneef, *A Critical Survey of Islamization of Knowledge*, 56.

²²⁰ "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.