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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 Two:

The Present: Muslim Economists and the Constellation of Islamic Economics

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

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

1. Introductory Remarks

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

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

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

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

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

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

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

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

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

⁶ Rauf A. Azhar, *Economics of an Islamic Economy*, 4.

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

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

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

2. Theories and Definitions – Recent Developments and Contentions

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

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

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

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

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

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

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

Nejatullah Siddiqi, Umer Chapra, Muḥammad Anas Zarqa, Alam Choudhury, and others formed and expanded a new field of Islamic economics.¹⁵ Contemporary Islamic economics is motivated by the intellectual developments of the 19th century and secular schools of thought, including the very study of basic economic tenants.¹⁶ A swirling set of factors led to the rising interest in Islamic economics: the dissatisfaction with the world economy; the policy of the mainstream economic doctrine; the impact it has had on indigenous cultures;¹⁷ and the institutionalized exploitation of poor countries.¹⁸ By the second half of the twentieth century, the discipline had emerged as a distinct field of study,¹⁹ and ever since, it has been credited as having a recognizably ethical dimension.²⁰ Rauf Azhar has advanced the idea that Islam has its own distinct economic system, whose rules and basic premise can be deduced from the scriptural sources, which also include viewing any form of interest as *ribā*.²¹ From this discussion, Islamic economics emerged as a distinct science, rooted in the Islamization of knowledge process, with Islamic finance and banking²² as its subsidiary branch.

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

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

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

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

¹⁸ Muhammad Akram Khan, *The Future of Islamic Economics*, 249.

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

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

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

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

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

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

²⁴ Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 5.

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

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

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

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

²⁹ See e.g. the writings of Alam Choudhury.

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

The concept of Islamic economics attracted many Muslim scholars and non-professionals. At least four different dimensions of economic analysis can be identified: studies that relate to economic issues within the discipline of *tafsir* (exegesis) as a hermeneutics of the Qur'an, e.g. prohibition of usury; economic matters within the discipline of *fiqh* (Islamic jurisprudence), e.g. the dominant aspects of Islamic economics; elaboration upon economic questions by classical Muslim scholars from the perspective of Islamic ethics by theologians, Sufis, and philosophers; and numerous works on economic science written by Islamic scholars as a response to the growing need of the time, such as comparisons between Islamic economic and other economic systems.³¹ There are three categories of scholars who have contributed to Islamic economics: '*ulamā*',³² modernists, and Western-educated economists, whereby the '*ulamā*' have been the main contributors.³³ Modernists have been active in reinterpreting the traditional sources in contemporary context, whilst the expertise in economic studies have expressed support of Islamic economics³⁴ by predominantly focusing on the economic analysis and financial, and banking sector. On the other hand, one of the main concerns for '*ulamā*' was explaining economic teaching in Islamic tradition in contemporary terms, applying an orthodox approach, while relying on the sources of Islam. The '*ulamā*' have been predominantly interested in the legal aspect of economic conduct in Islam, and *Shari'a* related questions.³⁵ The judicial focus is

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁴³ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 33.

⁴⁴ Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 18.

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

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

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

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

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

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

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

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

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

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

Despite the plentiful definitions and theories associated with the subject, as shown above, there is neither a clear indication nor consensus of precisely what Islamic economics encompasses. Indeed, what was formulated as the Islamic position was simply the value system of Islam. Still, the majority of Muslim economists would tentatively agree that the study of Islamic economics revolves around concepts such as justice, equality, and the Prophetic message.⁵⁷ Many contemporary scholars, such as Naqvi and Siddiqi, base their theory of Islamic economics predominantly on Islamic ethical and legal conceptions of economic thinking respectively, following the norm of “commanding the good and forbidding the evil”, which includes the forbiddance of hoarding, and ethically stipulated means of provisions.⁵⁸ Some also believe that the science of Islamic economics emerged from Islamic economic knowledge, established by the *fuqahā’* and classical Muslim scholars⁵⁹ who analyzed economic problems of money, fiscal policy, trade, markets, and financial transactions. However, their methodologies differ, substantially.

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

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

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

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

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

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

3. Methodologies of Contemporary Islamic Economics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Similarly, Siddiqi's methodology to Islamic economics is contained in the Qur'anic revelation,⁷⁶ whereby man is viewed as a whole, extending his existence above the bare fulfillment of (material) needs.⁷⁷ For Siddiqi, "economics is not the science of market only. Its nature as a social science necessitates due attention to goals of society among which universal need-fulfillment is on top."⁷⁸ Under the institutional framework in which Islamic economic practice takes place, Siddiqi acknowledges the following categories: double ownership (including private property), freedom of enterprise (entailing competition), mutual risk-sharing and consultation, responsibility of the state to secure rights of individuals. The overall goal of Islamic economics is accordingly encapsulated in the economic well-being⁷⁹ through the conception of

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

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

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

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

⁷⁶ Zubair Hasan, review of "Teaching Economics in Islamic Perspective," by Siddiqi, *Islamic Economic Studies*, 6:1 (1998): 118.

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

⁷⁸ Siddiqi, *Teaching Economics in Islamic Perspective*, 4.

⁷⁹ Siddiqi, *Teaching Economics in Islamic Perspective*, 6.

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

Muhammad Akram Khan's outline of an Islamic worldview presupposes a theological-religious methodology, in that it stems from the religious script⁸⁰ and justifies a religious reading of an economic worldview. He studies notions of ownership, universalism, and equilibrium to warrants economic organization in Islam, which differs from market mechanism in that it aims to avoid accumulation of power and wealth. Despite his view that contemporary Islam economics is a free-market economy,⁸¹ interest and hoarding are prohibited. Khan does not differ from other contemporary Muslim economists, in that he maintains that "economics must be open to contributions from other disciplines"⁸² in order to attain an Islamic vision of economic life. Islamic economics draws upon the Islamic legal literature since for Khan it "studies the impact of these legal opinions on the behaviour of the people."⁸³ Moreover, Islamic economics includes the study of Islamic values, where the falsifiability criterion is applicable to the theories which tackle the *how* and not the *why* of the economic questions.⁸⁴ As such, Islamic economics is a normative discipline, since it not only addresses economic problems,⁸⁵ but also aspires to translate economic problems with regards to legal and, moreover, theological concerns.

3.2. Ethical Premise of Economic System and the Islamic Personality

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

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

⁸¹ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 8.

⁸² Siddiqi, "An Islamic Approach to Economics," 155.

⁸³ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 51.

⁸⁴ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 63.

⁸⁵ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 68.

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

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

Scholars such as Siddiqi and Naqvi claim that "Islam is primarily about a spiritual view of life and a moral approach to life's problems, including the economics problem. The contentment Islam promised man is rooted in this spiritual and moral framework."⁹² Such an approach is based upon four elements: unity (*tawhīd*), equilibrium (*'adl wa ihsān*), free will (*ikhtiyār*), and social responsibility (*fard*).⁹³ The unity element presupposes that an individual's economic activities ought to be exercised by ethical considerations of the Qur'an, whereby equilibrium stands for righteous actions for humanity based on social rights and economic justice. These axioms present synthetic truths of a Muslim society, whereby the validity can be verified or refuted.⁹⁴ The Islamic concept of freedom is distinct as it presupposes that man does not have absolute freedom, but it is relative in relation to God's will⁹⁵ – the law is not man-made but Divinely-inspired and thus universal for all mankind.⁹⁶

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

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

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

⁸⁹ Umer Chapra, "Ethics and Economics: An Islamic Perspective," 1.

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

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

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

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

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

⁹⁵ See Qur'an, 96:6.

⁹⁶ Naqvi, "The Dimensions of an Islamic Economic Model," 5.

⁹⁷ Naqvi, *Islam, Economics, and Society*, xxii-xxiii.

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

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

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

⁹⁸ Naqvi, “The Dimensions of an Islamic Economic Model,” 8.

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

¹⁰⁰ Naqvi, *Islam, Economics, and Society*, xviii.

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

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

¹⁰³ Naqvi, *Islam, Economics, and Society*, xix-xx.

science, and as a control mechanism for society.¹⁰⁴ This so-called *homo islamicus* is the agent of the Islamic economic model in practice,¹⁰⁵ founded upon the adherence to *Sharī'a* regulations, by maintaining a distinctively Islamic character of the socioeconomic reality. In this context, Islam rejects the notion of absolute ownership, either from a state or an individual, since the sole ownership of all possessions is God.¹⁰⁶ This principle of ownership and trusteeship according to Islamic law “minimizes the consequence-insensitivity of the capitalistic conception of a relatively freer exercise of the right to private property,”¹⁰⁷ which is the element that prompts individuals who have wealth to give to those who have less. Drawing on Islamic law, he asserts that the institution of private property is attainable only through one’s own labour.¹⁰⁸ Labour is the sole principle through which private property can be obtained, whereby the equilibrium axiom perpetuates the exercise of (social) justice.¹⁰⁹ Despite the fact that various Muslim scholars recognize multiple forms of ownership (consisting of state, individual, and dual ownership), Siddiqi¹¹⁰ and Ahmed Mannan¹¹¹ strongly support private ownership. As suggested, too, by al-Ṣadr below, the state should play a role in implementing policies of private property and ownership.¹¹² Similarly for Chapra, the role of the state is an interventionist positive one, seen as a moral obligation, complying with the Divine laws.

3.2.1. Social Justice and Moral Filter

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

¹⁰⁴ Charles Tripp, *Islam and Moral Economy*, 112.

¹⁰⁵ Al-Ṣadr, *Iqtisādunā*, 260.

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

¹⁰⁷ Naqvi, “The Dimensions of an Islamic Economic Model,” 6.

¹⁰⁸ Naqvi, *Islam, Economics, and Society*, 100.

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

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

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

¹¹² See al-Ṣadr, *Iqtisādunā*, Vol. 2, part 2, chapter 3.

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

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

By applying an axiological approach to Islamic economics and its ethical philosophy through the application of mathematics,¹¹⁸ Naqvi advocates the parameters of social justice, which entails the study of moral philosophy¹¹⁹ and repudiates poverty, inequality, and overconsumption.¹²⁰ Chapra is, however, the main proponent of the notion of the so-called moral filter,¹²¹ or a moral code in Islam, which functions as an equilibrium between demand and supply for the purposes of defending the underprivileged. The Islamic market places a dual filter – a moral and a market one – on the agent or subject to attain a spiritual uplift, and in such a relationship, the state plays a dynamic role.¹²² The first filter is related to the notion of *khalīfa*

¹¹³ Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 6.

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

¹¹⁵ Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 51-60.

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

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

¹¹⁸ Naqvi, *Islam, Economics, and Society*, xiii.

¹¹⁹ Naqvi, *Islam, Economics, and Society*, xvii.

¹²⁰ Naqvi, *Islam, Economics, and Society*, 87.

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

¹²² Chapra, *Islam and the Economic Challenge*, 214.

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

3.2.2. The Component of *Falāḥ*

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

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

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

¹²⁴ Muhammad Akram Khan, *What is Wrong with Islamic Economics?* 34.

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

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

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

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

¹²⁹ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 36.

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

4. Islamic Economics and Forms of Western Knowledge

4.1. Islamic Economics versus Mainstream Economic Systems

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

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

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

¹³⁰ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 66.

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

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

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

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

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

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

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

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

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

¹³⁸ Seyed Nawab Haider Naqvi, *Islam, Economics, and Society*, xiii.

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

¹⁴⁰ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 54.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2. Islamic Economics as Islamic and Social Science

¹⁵² Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 6.

¹⁵³ Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, 24.

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

¹⁵⁵ Al-Ṣadr, *Iqtiṣādunā*, Vol. 1, Part 2, 5-8.

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

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

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

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

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

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

¹⁶⁰ Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 24.

¹⁶¹ Muhammad Abdul Mannan, *Islamic economics: theory and practice*, 9.

¹⁶² Muhammad Abdul Mannan, *The Frontiers of Islamic Economics*, 42.

¹⁶³ Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 200.

¹⁶⁴ Al-Šadr, *Iqtisādunā*, Vol. 1, 64 ff.

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

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

¹⁶⁵ Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 9.

¹⁶⁶ Al-Ṣadr, *Iqtiṣādunā*, Vol. 2, 5.

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

¹⁶⁸ Nejatullah Siddiqi, *Some Aspects of the Islamic Economy*, 11-13.

¹⁶⁹ Nejatullah Siddiqi, “An Islamic Approach to Economics,” 168.

¹⁷⁰ Nejatullah Siddiqi, “An Islamic Approach to Economics,” 168.

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

¹⁷² Nejatullah Siddiqi, “An Islamic Approach to Economics,” 169.

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

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

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

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

¹⁷⁵ Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 33.

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

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

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

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

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

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

5. Islamic Jurisprudential Economics and Islamic Law

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

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

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

¹⁸¹ Akram Khan Muhammad, *An Introduction to Islamic Economics*, v-vi.

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

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

¹⁸⁴ See Abbas Mirakhor, *A Note on Islamic Economics*, 11.

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

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

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

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

¹⁸⁵ Al-Ṣadr, *Iqtisādunā*, Vol. 1, 89-94, Vol. 2, 5-15.

¹⁸⁶ Al-Ṣadr, *Iqtisādunā*, Vol. 1, 64-72.

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

¹⁸⁸ Al-Ṣadr, *Iqtisādunā*, Vol. 1, 57-8.

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

¹⁹⁰ Wael Hallaq, *An Introduction to Islamic Law*, 28.

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

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

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

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

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

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

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

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

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

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

For Chapra, Islamic economics is organized around the following four elements within the broader frame of the objectives of Islamic law, which interprets Islamic economics according to higher values: social filter, motivation system, restructuring economic thought in light of *maqāṣid*,²⁰¹ and the goal-oriented role of the state supported by an Islamic worldview.²⁰² For instance, *māl* or wealth is a God-given trust and thus equally important as the first four *maqāṣid* since all five are interconnected for achieving the well-being of man. Acquiring wealth is in Islam not prohibited as long as it is conducted lawfully.²⁰³ Since wealth has to operate within the scope of Islamic ethics, it is a means rather than an end in itself,²⁰⁴ to be used for fulfilling one's needs, promoting equity, and diminishing injustice.²⁰⁵ Wealth and faith are positioned on an equally important level from which the responsible utilization of resources for the environment

¹⁹⁹ For many contemporary Islamic economists the prohibitions are clearly specified in Islamic law and one has to be careful not to expand them. As commercial activities fall under *mu'āmalāt*, the underlying principle related to commercial laws is that of permissibility (*ibaha*). In particular, *ribā* and *gharār* are prohibited in commercial transactions and in Islamic commercial law. On the prohibition of *gharār* (translated as risky, ambiguous, undefined, vague, uncertain, doubtful and/or concealed elements of the contract) see for instance M. Fahim Khan, “Fiqh Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of Fiqh,” 77-78; Siddiq Al-Darir, *Al-Gharar in Contracts and its Effects on Contemporary Transaction*, IRTI, IDB, Eminent Scholars Lecture Series, No. 16, 1997; Abdul-Rahim al-Sāti, “The Permissible Gharar (Risk) in Classical Islamic Jurisprudence,” *JKAU: Islamic Economics*, Vol. 16, No. 2, (2003): 3-19; Mohammad Hashim Kamali, “Islamic Commercial Law: An Analysis of Options,” *The American Journal of Islamic Social Sciences*, Vol. 14, No. 3 (2000): 17-37.

²⁰⁰ Kamali, *Islamic Commercial Law*, 78.

²⁰¹ *Maqāṣid* has been studied by various classical Muslim scholars primarily from the moral perspective and it is by jurists regarded as to serve the interest of society, including its socioeconomic well-being and to prevent people from any form of harm, e.g. al- Māturīdī (d. 945), al-Juwaynī (d. 1085), al-Ghazālī (d. 1111), Fakhr al-Dīn al-Rāzī (d. 1209), Ibn Taymiyya (d. 1327), al-Shāṭibī (d. 1388), Ibn 'Āshūr (d. 1973). See Imran Ahsan Khan Nyazee, *Theories of Islamic Law* (Herndon, VA: IIIT, 1994); al-Ghazālī, *al-Mustasfā* (Medina: Sharika al-Madīna al-Munawwara li al-Tabā'at, 2008), Vol. 1, 30, 116, 135, 155; Ibn 'Āshūr, *Maqāṣid al-Sharī'ah al-Islāmiyyah*, ed. El-Tahir el-Mesawi (Kuala Lumpur: al-Fajr, 1999), 274.

²⁰² For more see Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Shari'a* (Herndon, VA: IIIT, 2008).

²⁰³ Prophet Muhammad said: “There is nothing wrong in wealth for him who fears God [i.e. abstains from evil],” *Sahih al-Bukhari*, *Al-Adab al-Mufrad*, 113:301, Bab Tīb al-Nafs in Chapra, *The Islamic Vision of Development in the Light of Maqasid al-Shari'ah*, 46.

²⁰⁴ See al-Ghazālī *Iḥyā'* and Umer Chapra, *The Islamic Vision of Development*, 47; in addition, Siddiqi expounds analogical reasoning in light of *maṣlaḥa* as public good. See Muhammad Nejatullah Siddiqi, “An Islamic Approach to Economics,” *Islam: Source and Purpose of Knowledge* (Herndon, VA: IIIT, 1988), 167-168.

²⁰⁵ It is believed that the Prophet said: “Wretched is the slave of dinar, dirham and velvet,” *Sahih al-Bukhari*, *Kitāb al-Jihād wa al-Siyar* in Umer Chapra, *The Islamic Vision of Development*, 47.

and human kind is foreseen.²⁰⁶ Economic development and increasing wealth directly relate to the categories of education, security, good governance, freedom of enterprise, employment and self-employment opportunities, removal of poverty, equitable distribution of wealth, social solidarity and trust, saving and investment mechanisms, optimum growth rate and social development.

All of these categories have a direct impact on the remaining four *maqāṣid* of enrichment of faith, self, intellect and posterity, which in turn influence the general well-being of man. This presupposes the idea that one's basic socioeconomic needs have to be fulfilled in order for one to preserve the other *maqāṣid* postulates.²⁰⁷ The development of wealth is therefore part and parcel of diminishing economic inequalities in society. The methodological stalemate, however, of merging the *maqāṣid* postulates within the conventional economic system remains.

Contemporary Muslim legal specialists criticize traditional *maqāṣid* at various points:²⁰⁸ first, they investigate the whole of Islamic law and yet fail to include specific purposes; second, the traditional *maqāṣid* is concerned more with the individual than with communities; third, traditionally, *maqāṣid* did not include the notion of justice and freedom; and fourth, it was relegated to the legal spectrum only.²⁰⁹ Many economic instruments can be derived from the objectives of Islamic law as it was explored by al-Shāṭibī and al-Ghazālī.²¹⁰ In this regard *maṣlaḥa* would determine whether an economic activity (like consumption or production of a good) should be pursued or not. If any activity has a beneficial implication corresponding to al-Shāṭibī's framework of objectives of *Sharī'a*, then that activity ought to be pursued.²¹¹ Purely egoistical, individual-based interests and endeavours are according to the contemporary Muslim scholars regarded as undesirable, unless fostering the concept of *maṣlaḥa*.

The concept of *maṣlaḥa mursalah* (explained in more detail in the following chapter) allows for public policy to meet social needs. *Maṣlaḥa mursala* can be applicable only insofar as

²⁰⁶ See Mouhanad Khorchide, *Islam ist Bahrherzlichkeit* (Freiburg im Breisgau: Herder, 2012) and Umer Chapra, *Islamic Vision of Development*, 1.

²⁰⁷ Compare this approach to Marx's postulate of how the social being of men determines their consciousness, Karl Marx, *A Contribution to the Critique of Political Economy*. For Marx individual consciousness cannot be separated from one's socioeconomic group, yet in by invoking *maqasid* it appears that the two are mutually engaged and thus interdependent – one's consciousness (soul or even faith) does procure one's social being as much as one's social being impacts one's consciousness.

²⁰⁸ Jasser Auda, *Maqāsid al-Sharī'a: An Introductory Guide* (Herndon, VA: IIIT, 2008), 6-7.

²⁰⁹ As it will be shown through the examples of *Sharī'a* as being utilized in the deliberations and endeavours of the premodern Muslim scholars as an ethical conception in Chapter Three, this argument does not hold entirely true, since the individual was in the premodern period seen as part of the communitarian reality, whereby legal meant also moral. This can be expounded by analyzing medieval scholars and their economic ideas which are, as it will be indicated in the fourth chapter, encapsulated within the theological realm, in order to achieve higher ends.

²¹⁰ See Chapter Three.

²¹¹ Jasser Auda, *Maqāsid al-Sharī'a: An Introductory Guide*, 29.

maṣlaḥa does not become an arbitrary mechanism expounding a subjective bias in providing legal rulings. It also must be general in that its values extend to society at large, and lastly it must not conflict with the values upheld by the consensus or the scriptural sources.²¹²

5.2. The Conception of *Zakāt* and *Ribā* in Contemporary Islamic Economics

Zakāt and *ribā* have been the most visible components of contemporary Islamic economics and finance, ascertained primarily as legal conceptions. *Zakāt* as a general levy on the wealth of individuals is commanded by the Qur'an,²¹³ even though the fixed percentage has not been decreed.²¹⁴ As a reflection of human conduct, it restores human relations toward others, and tackles the misery of the poor and the equanimity of the rich. More important than its social range is its role in a moral economy. *Zakāt* epitomizes several economic predispositions, such as the right to regulate property, the idea of utilizing the property for higher ends, the idea of assisting the needy while ensuring their integration in society, and the of cleansing one's own wealth. Islamic wealth tax or the institution of *zakāt* levied on savings and assets has been reserved precisely for the weak to balance the wealth and increase social welfare among population.²¹⁵ In this light *zakāt* has not only legal, but also socioeconomic and even more importantly moral aspects. *Zakāt* is mentioned in the Qur'an 82 times in combination with Islamic prayer (*ṣalāt*), which shows the importance and interrelation between tax charity and spiritual endeavour. *Zakāt* is a clear indication that poverty is in Islam both a social and spiritual problem.²¹⁶ Even though it has been theorized by contemporary Muslim economists, it seems their objective was to coalesce the two economic systems – mainstream and Islamic. As we shall see in Chapter Four, the critics of Islamic economics point out that *zakāt* has throughout Islamic history maintained a mere

²¹² See Abū Zahra, *Uṣūl al-Fiqh* (Cairo: Dār al-Fikr al-‘Arabī, 1958), 219.

²¹³ See for instance Qur'an, "We made them leaders who guide by Our command and We inspired them to work good deeds, to observe the Salat and to give the Zakat, they were worshippers of Us." 21:73; "Eat from their fruits when it blossoms, and give its decreed obligation on the day of its harvest." 6:141; "They ask you what should they give: say, "The good that you give should be to the parents, the close ones, the orphans, the needy and the homeless, and any good that you do, God is Knowledgeable thereof." 2:215; "Woe to the mushrikeen who do not give the Zakat and with regards to the Hereafter, they are disbelievers." 41:6-7

²¹⁴ "You shall give the relatives 'haqahu' (their due), as well as the needy and the homeless yet do not squander wastefully. The squanderers are brothers to the devils and the devil is a rejecter of his Lord. If you have to turn away from them, seeking the mercy from your Lord which you desire, still speak to them nicely. Do not keep your hand tied to your neck, nor shall you fully extend it, lest you end up blaming yourself and regretful." Qur'an, 17:26-29.

²¹⁵ Qur'an 4:28, 100:8.

²¹⁶ Abdolkarim Soroush, *Reason, Freedom, and Democracy in Islam*, ed. Mahmoud Sadri and Ahmad Sadri (Oxford: Oxford University Press, 2000).

spiritual endeavour rather than an institutionalized social or economic character.²¹⁷ Conceptually, *zakāt*, as an obligatory levy on surplus wealth and income, has been a milestone in providing social benefits and security, but it has not attained such a role in Muslim-majority countries.

The Arabic word *ribā* means excess or increase and is according to some scholars in the Qur'an categorically prohibited. Its prohibition has been one of the most widely discussed concepts, maintaining a central place in the imagination of an Islamic economy. According to Khan, the modernists argued that *ribā* does not relate to the interest added by banks, whereas the current consensus states that *ribā* applies to all forms of interest. The abolition of *ribā* has been enacted on the legal basis or prohibition of interest in economic activities. Naqvi however states that there is also an economic side of the interest and not only legal.²¹⁸ Islamic banking, which this thesis does not discuss, but deserves at least a brief mention since it has been presented as the subsystem of Islamic economics, and has thus far been researched in light of finances and transactions. Even if this is a necessary mechanism of banking system as such, the economic consequences and impact have not yet been sufficiently implemented by Islamic banks, since the focus has been primarily legal and not economical. Furthermore, Muhammad Abdul Mannan maintains that the institutions of *zakāt* and *ribā* ought to be implemented by the state, as the pinnacle of Islamic economics.²¹⁹

The prohibition of *ribā*²²⁰ or excessive interest is also based on the Qur'ān, where it is first referenced though the term itself or the recipient or payer is not specified.²²¹ Islamic tradition has distinguished commercial activity from profit and the prohibition of *ribā*.²²² Nonetheless, not every excess or increase in economic transactions falls under the rubric of this very proscription, hence *fiqh* scholars had the task to determine which increase ought not to be

²¹⁷ *Zakāt* has in Muslim majority countries remained a mere reflection of the ideal economic model and has not impacted the factual economies on the ground. "In Pakistan zakat revenue was estimated to be no more than 0.2 per cent of GDP by 1994 and in Iran, where zakat has been collected by government agencies, it has had no measurable impact on the inequalities of power at the heart of the political economy." See Seyyed Vali Reza Nasr, *Islamic Leviathan*, 122-124 and 144-146.

²¹⁸ See Naqvi, *Ethic and Economics: An Islamic Synthesis* (Leicester: The Islamic Foundation, 1981).

²¹⁹ Muhammad Abdul Mannan, *The Making of Islamic Economic Society*, 334.

²²⁰ Interest on capital loan. See Muhammad Khan Akram, *An Introduction to Islamic Economics*, 25.

²²¹ *Ribā* was common among pre-Islamic Arabs. In the Qur'an it is stated: "And (remember) whatever you give out in *ribā* (usury) so that it might increase through (other) people's possessions will bring (you) no increase in the sight of God—whereas all that you give out in charity, seeking God's countenance, (will be blessed by Him) for it is they, they (who seek His countenance) that shall have their recompense multiplied," Qur'an, 30:39.

²²² Qur'an 2:275. See also *sūra* 2 (al-Baqarah) verses 275, 276, 278, *sūra* 3 ('Alī 'Imrān) verse 130, *sūra* 4 (al-Nisā') verse 161, *sūra* 30 (al-Rūm) verse 39.

observed, indicating that the *ribā* verses were not so clear after all.²²³ Therefore, *fiqh* took the role of interpreting the meaning of the word.²²⁴

This approach lies at the very heart of Islamic views on a moral economy, just as ideas concerning the fundamental injustice of capitalism loom over many Muslim intellectuals.²²⁵ Over the centuries, the consensus of the jurists has been that *ribā* should be understood as any interest charged on a loan, regardless of the willingness of the borrower to enter into an agreement by which he or she will have to repay interest as well as principal. This consensus was based on the authority of the received texts, but also on a moral repugnance at a number of features associated with the charging of interest on capital.²²⁶ Nevertheless, it was acknowledged by some of the most distinguished *fuqaha* that the identification of *ribā* was not always straightforward.²²⁷ The consensus of jurists is that *ribā* refers to all interest-bearing transactions,²²⁸ who see *ribā* as equivalent to interest (*al-fa'idah*) on all kinds of loans, however large or small, whether these involve banks, government agencies, or individuals.

The modern economic debates on the subject of *ribā* do not address the matter of *ribā* in detail since the term was never clearly articulated.²²⁹ For traditional *fiqh* scholars, interest does

²²³ Rauf Azhar notes that there were many variations of the term *ribā* existing simultaneously, indicating that *fiqh* scholars interpreted the concept in various ways, while none of them appeared in the time of the Prophet. The number of *ribā* terms in the *fiqh* literature "is quite understandable in view of the differences between the perspective of the Qur'ān and that of the ḥadīth literature on the subject. At the fundamental level, there is the so called Qur'ānic *ribā*, which was originally known as *ribā al-jāhiliyya* (pre-Islamic *ribā*), and then there is what has been called *ribā al-ḥadīth*. This latter variety is given several names depending partly on the nature of transaction for which it is being defined, and partly upon the individual likings of the different *fiqh* scholars." This includes also *ribā al-faḍl* (on barter transactions), *ribā al-buyū'* (on barter transactions), *ribā al-dayn* or *duyūn* (transactions with debt, and *ribā al-nasī'a* (defined on barter transactions on deferred payment basis). Rauf Azhar, *Economy of an Islamic Economics*, 281.

²²⁴ "Ribā al-faḍl was used by al-Shafi'i, whilst *ribā al-nasī'a* by Rāzī (d. 1209) to establish a connection between the Qur'ānic (al-jāhiliyya) and the ḥadīth *ribā*. The confusion over *ribā* clearly stems from the multiple interpretations of the *ribā al-jāhiliyya* defined by the Qur'ān. We see that in the case of *ribā*, *fiqh* primarily relied on the relevant ḥadīth reports although when it came to *ribā al-jāhiliyya*, it had to resort to *qiyās* to bridge the gap that still remained." Rauf Azhar, *Economy of an Islamic Economics*, 288.

²²⁵ Syed Nawab Haider Naqvi, *Ethics and Economics*, 109-23.

²²⁶ Charles Tripp, *Islam and Moral Economy*, 126.

²²⁷ See Rauf Azhar, *Economy of an Islamic Economics*, 279-335 and 339-406; Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 123-227.

²²⁸ The opposite approach on the so called "riba-by-analogy" holds Tantawi. See Muhammad Sayyid Tantawi, "'Asi'lah 'an al-riba'," *Al-Ahram*, 21 November 1993.

²²⁹ According to Azhar this occurs due to the complications regarding how the term *riba* was understood: "The main contours of this discourse can be summed up as follows: the dominant *fiqh* school has recognized the futility of asserting that the meaning of the term *ribā* was not clearly understood because of the unassailable evidence provided by the exegetical works. Its writers take their point of departure by asserting that the meaning of the term *ribā* was well understood at the time of the revelation—and it is here that they significantly differ from the classical *fiqh* expositions—but then they use the classical concept of *ribā al-nasī'a* to establish an equality between *ribā* and interest, all along giving the false impression that they are presenting the classical *fiqh* position." Rauf Azhar, *Economy of an Islamic Economics*, 284.

not fall under the rubric of *ribā* prohibition, whilst Islamic economists claim that they follow the classical predisposition on *ribā*. Still they have influenced the discourse by advocating “for an abolition of interest from the financial system through an administrative fiat,”²³⁰ which further complicates the discourse. The main reason *ribā* was put into force was to prevent the accumulation of wealth in order to diminish the economic differences between different layers of society and also to maintain some kind of equitable social fabric.

Nowadays *ribā* is an essential factor in the Islamic economic and banking system. Islam generally encourages market economy through the imposition of a certain degree of ethically-driven regulations and government interventions that mean to disable the exploitation of economic power and the accumulation of wealth: “Islam envisages a world in which everyone with authority is accountable for his actions,”²³¹ aiming at establishing an economic order based upon the ethical regulations of *Sharī‘a*. An active role in economic activities in society is encouraged; however, the hoarding of wealth and food supplies is illicit according to many medieval Muslim scholars,²³² as a merchant should always sell his commodities at a fair value,²³³ according to the regulations on the market (another form of hoarding is leaving a land uncultivated, as the production has to circulate to benefit the society).

What has been advocated by some contemporary Islamic economists and scholars, such as Azhar,²³⁴ al-Ṣadr,²³⁵ and Mirakhor,²³⁶ is the reform of Islamic jurisprudence; this includes the abrogation of many of the *aḥādīth* and the opinion by consensus, or *ijmā‘*. Their theories, however, remain confined either to the positivist methodology or to the efforts to Islamize a state’s economy. The restructuring of methodological and legal teachings would be possible if a consensus would be formed among contemporary scholars, who would, among other mechanisms, re-address the institutions of *zakāt* and the prohibition of *ribā* in light of Islamic intellectual history.

6. Contemporary Muslim Economists’ Views on Classical Muslim Scholars

²³⁰ Rauf Azhar, *Economy of an Islamic Economics*, 284.

²³¹ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 4.

²³² See e.g. al-Ghazālī, *Iḥyā‘*, Vol. 2, 72.

²³³ Ibn Taymiyya, 1982, 32-33 in Sohrab Behdad, “Property Rights in Contemporary Islamic Economic Thought,” *Review of Social Economy*, Vol. 47, No. 2 (1989): 194.

²³⁴ Rauf Azhar, *Economy of an Islamic Economics*, 2009.

²³⁵ See al-Ṣadr, *Iqtisādunā* (Tehran: World Organization for Islamic Services, 1982).

²³⁶ Abbas Mirakhor, *A note on Islamic Economics* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2007).

The significance of the moral predicaments of economic teachings and the notion of the hereafter in Islamic tradition, invoked by many medieval Muslim scholars,²³⁷ has been introduced by few contemporary Islamic economists. Chapra and Siddiqi, among others, were largely concerned with its impact on the idea of justice. However, the majority of contemporary Muslim economists do not invoke classical scholars' economic views, despite their claim of moral economy.

Rationalizing economics is not the only goal for achieving a scientific and epistemological explanation of economics. Conventional or orthodox economics does not conceptualize rationality in terms of social justice and well-being, but rather along the lines of utilitarianism and the maximization of self-interest. This indicates a very different conception of economic knowledge in comparison to classical Islamic scholarship.²³⁸ Nonetheless, contemporary Muslim economists maintain that the concept of rationality in Islamic economics pertains not only to the material world, but also "to the Hereafter through the faithful compliance with moral values that help rein self-interest to promote social interest."²³⁹ Chapra's argument of Islamic economics is in part based on the contribution of some of the classical Muslim scholars (see below), covering topics such as the division of labour, specialization, trade and exchange, and the utilization of money, making him rather an exception in analyzing the classical scholars on economics. The brief inclusion of the great gap theory²⁴⁰ and selected classical Muslim scholars e.g. Abū Yūsuf (d. 789), al-Mawārdī (d. 1058), Ibn Hazm (d. 1064), al-Sarakhsi (d. 1090), al-Ṭūsī (d. 1093), al-Ghazālī (d. 1111), al-Dimashqī (d. 1175), Ibn Rushd (d. 1187), Ibn Taymiyya (d. 1328), al-Maqrīzī (d. 1442), al-Dawwānī (d. 1501), and Shah Waliyullah (d. 1762),²⁴¹ whose economic ideas are presented in depth in Chapter Three, indicates that the classical Muslim scholars approached economic thinking not only from a dynamic and cross-

²³⁷ On economic thought by Abū Yūsuf, al-Shaybānī, Abī al-Dunyā, al-Ghazālī, Ibn Taymiyya, al-Maqrīzī etc., see Chapter Three.

²³⁸ Also for Chapra, the core features of conventional economics are rational economic man, positivism, and laissez faire. Umer Chapra, *Islamic Economics: What it is and how it developed*, 8.

²³⁹ Umer Chapra, *Islamic Economics: What it is and how it developed*, 9.

²⁴⁰ The great gap theory presupposes that medieval Islamic scholarship did not offer any significant development in the domain of economic thought in the Middle Ages. For more on debunking the great gap theory see Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis, 11-905 A.H./632-1500 A.D.* (Jeddah: Islamic Economics Research Centre, King Abdulaziz University, 2004); Mohammad Ghazanfar, Abdul Azim Islahi, *Economic Thought of Al Ghazali* (Jeddah: Scientific Publishing Centre King Abdulaziz University, 1997); Mohammad S. Ghazanfar, *Medieval Islamic thought: filling the "great gap" in European economics* (London: Routledge, 2003).

²⁴¹ For more by Siddiqi on the medieval Muslim scholars and their economic ideas, see a text that surveys the recent writings, in Arabic, English and Urdu of various classical Muslim scholars. Nejatullah Siddiqi, *Recent Writings on History of Economic Thought in Islam* (Jeddah: International Centre for Research in Islamic Economics King Abdulaziz University, 1982). See also Abū Yūsuf, *Kitāb al-Kharaj*, trans. Abid Ahmad Ali (Lahore: Islamic Book Center, 1979).

disciplinary angle, since they “did not focus their attention primarily on economic variables,”²⁴² but also primarily within a different epistemic background. They took into account overall a human’s well-being, his or her virtuous traits of character, and the Islamic sciences of nature. Even though Chapra acknowledges that the early and medieval Muslim scholars provided a starting point of economic thinking in Islamic tradition, his focus on Ibn Khaldūn in discussing the socioeconomic ideas and analysis²⁴³ locates a narrow scope of his excursion of the classical Islamic economic thought, which is paradigmatic for the majority of contemporary Muslim economists. Though Ibn Khaldūn aimed to define economics as a separate discipline, he did not write on economic thought in Islam as such. He asserted and analyzed human nature and the rise and fall of empires through economic, social, political, and demographic factors. Since the intellectual decline struck Islamic civilization after the 14th century, there were historical, sociopolitical, and economic reasons why certain disciplines did not progress as a separate intellectual discipline, though they remained an integral part of the social and moral philosophy of Islam.

7. Concluding Remarks

Given the specific nature of Islamic economic reasoning and its sources, many scholars contested that the subject of Islamic economics is multi-disciplinary, relying on both Western economic tradition and Islamic tenants. Methodological pluralism, however, in this context does not indicate a vibrant discipline, but rather a systemic and at times contradictory framework of its proponents. Authors like Choudhury, Naqvi, Siddiqi, and Chapra read Islamic economics not by invigorating classical theological, legal or ethical standpoints, but within the modern frame of Islamization of economics. The most notable theoreticians of contemporary Islamic economics, despite the field’s unique intellectual makeup, follow this pattern, retrospectively deducing and attaching Islamic tenants of Islamic economic teaching to the subject of economics. Since the current Islamic worldview is inadequate to serve as a model, even though Chapra questions

²⁴² Chapra, *Islamic Economics: What it is and how it developed*, 13.

²⁴³ Chapra, *Islamic Economics: What it is and how it developed*, 13-25. In the center of Ibn Khaldūn’s economic analysis is the human being and his moral, social, and political well-being. This well-being does not rest only on economic variables but also on other social and political factors. See Umer Chapra, *The Future of Economics: An Islamic Perspective* (Markfield: The Islamic Foundation, 2000). In short, Ibn Khaldūn ideas on economics included studying the factors that are interrelated: norms (*Shari’a*), administration, populations, wealth, development, and justice. This is linked with other variables such as the feeling of belonging or ‘*aasabiyya*, education, etc. Khaldūn implies the importance of norms when discussing state and economic life. For more on the medieval contributions of Islamic economic teachings and their relevance for contemporary Islamic economic thought see the second chapter of the monograph.

whether the revival of Islam may bring about positive repercussions for the moral and social well-being of men, he firmly believes that only the Islamic worldview has that capacity and attraction due to its value-based justice²⁴⁴ and framework of *maqāṣid*.²⁴⁵ The reason for different epistemological understandings may rest in the fact that economics explores human behaviour that is embedded in society and culture, which in turn is formed by belief system, morals, and values.

Furthermore, many Muslim authors criticized capitalism while discussing a morally-guided, ideal Islamic society, giving an impression of an oversimplified hypothesis of the inner structure of Islamic economics. The question of how many Muslim states adhere to these very norms remains unanswered.²⁴⁶ Since conventional economics recognizes the market as the only arbiter of resources,²⁴⁷ in which capitalism does not necessitate material provisions based on the preservation of human dignity, equitable income, and concept of justice,²⁴⁸ Islamic economics was presented as a valid alternative system. Yet, since conclusions based solely on Islamic ethical norms cannot be simply drawn from empirical evidence,²⁴⁹ embedding those very conclusions and assumptions in economic analysis would mean analyzing the primary texts of Islam, including the intellectual history of Islam, and the socioeconomic developments of the 19th and 20th centuries across the Middle East. Muslim economists assert that Islamic economics covers a three-fold perspective: self-interest, social morality, and state regulations. Thus far, Muslim economists have attempted to establish Islamic economics as a social science, maintaining that Islamic economics is based on conventional economics coupled with an Islamic worldview, which seems to be a marriage of convenience.²⁵⁰

Murad W. Hofmann depicted Chapra's approach "as a perfect example of real (not just methodological) 'Islamization of Knowledge.'"²⁵¹ Chapra, similar to many other Muslim

²⁴⁴ Umer Chapra, "Ethics and Economics: An Islamic Perspective," 14.

²⁴⁵ Umer Chapra, *Islam and the Economic Challenge*, 251.

²⁴⁶ See Muhammad Akram Khan, *What is Wrong with Islamic Economics? Analysing the Present State and Future Agenda* (Cheltenham, UK, Northampton, US: Edward Elgar Publishing, 2013).

²⁴⁷ See Philip Mirowski, *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown* (London: Verso, 2014).

²⁴⁸ Apart from contemporary Muslim scholars, see also Amartya Sen, who holds that self-interest, power system of values, and corresponding norms are crucial motives in capitalist society. On the other hand, social values, democratic policies, civil and political rights ought to provide for the basic public good and for the – often neglected – underlying idea of justice. Since raising productivity is related to promoting capitalistic success, self-interest has to include others, the notion of sympathy, and the integration of social justice. Amartya Sen, *Development is Freedom* (New York: Anchor; Reprint edition, 2000), 261-262.

²⁴⁹ Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 36.

²⁵⁰ See for instance Muhammad F. Khan, *Essays in Islamic Economics* (Leicester: The Islamic Foundation, 1995).

²⁵¹ Murad Hoffman, review of *The Future of Economics: An Islamic Perspective* by Umer Chapra, *Intellectual Discourse*, 10:1 (2002): 91.

economists, favors combining Islamic and Western economic configurations, though “does not reject the Western system stock and a barrel – not only because that would be naïve but because the occident disposes of several features, like democracy, governmental accountability, and freedom of speech, which to use selectively would greatly benefit Islamic societies.”²⁵² This approach is operative and not analytical. A change of economic paradigm and a new economic system that would in turn reform Muslim societies can only materialize if the historic processes of economic, political, social, and epistemological contentions that were introduced in the Middle East in 19th and 20th centuries are negotiated in light of classical scholars’ conceptualization of moral economics. Chapra’s criticism of post-Keynesian economics pertains to the critique of Western scientists who made the science of economics into a so-called “hard” science. This, in Hoffman’s words, contradicts empirical knowledge, and generates an idea of a rational economic man, deprived of his moral episteme.

Scholars such as Muhammad Ahmed Khan in his later writings is concerned with a methodology that would critically investigate the terms, concepts, theoretical considerations, and principles pertinent to the subject matter of Islamic economics, since the existing methodologies are mostly related to mainstream economic theories, taking into account only economic variables, whereby human being is viewed from a self-interest point of view, with a tendency to maximize material welfare.²⁵³ He affirms that the theoretical body has not yet been developed, due to the extant body of literature that is preoccupied with basic principles of an ideal Islamic society. Often the objectives of Islamic economics are read into the religious Qur’anic text by authors and thus influenced by the interpretation of its subject matter. “This is precisely the reason that Islamic economics, at present, is merely a statement of the Shari‘ah position on economic issues.”²⁵⁴ What Khan proposes is a transitional theory to Islamic economics, since Muslim societies differ from other countries in their income, resources, adherence to ideology, and economic development. Likewise, Mannan rejects historical materialism due to economic determinism and stresses the ethical values of Islamic economics,²⁵⁵ yet his methodological contradictions are apparent due to the reliance on the neoclassical economic rationale. In al-Şadr’s words, the discipline of economics has the most extensive impact within the capitalist ideology of the West due to its origins and the culture in which it emerged.²⁵⁶ Separating the doctrinal from the scientific realm of (Islamic) economics is doubtful, since all economics is

²⁵² Murad Hoffman, review of *The Future of Economics: An Islamic Perspective*, 92.

²⁵³ Muhammad Akram Khan, *An Introduction to Islamic Economics*, 59.

²⁵⁴ Muhammad Akram Khan, “Islamic Economics: The State of the Art,” 286.

²⁵⁵ Muhammad Abdul Mannan, *Islamic economics: theory and practice* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986), 314-326.

²⁵⁶ Al-Şadr, *Iqtisādunā*, 227-230.

ideological due to its predisposed set of regulations, assumptions, and predispositions about the worldview, human nature, and functioning of the world.

Much of the literature on Islamic economics offers variant perspectives on an ideal Islamic society,²⁵⁷ and since the reality on the ground is in Muslim-majority countries dictated by the domestic and global financial conglomerates, many theories might be rendered inapplicable. It is hence crucial to study the existing realities of the socioeconomic societies in the Middle East and South Asia, as well as the epistemological-philosophical landscape of ideas pertinent to those economic theories. The systematic omission of the classical postulates by contemporary Muslim economists made them oblivious to the epistemic fields, which had profound reverberations for the development of the contemporary Islamic economic project in that it reflected and imitated Western economic theories. Instead of focusing on joining the modern Islamic economic tenants with the already existing economic systems, examining the premodern economic thinking in Islamic tradition would do more justice to the field.

Islamic banking as a branch of Islamic economics, even though it was established based on economic knowledge of Islam, has little in common with the premodern economic thinking in Islamic tradition. Even if there is a correlation between Islamic financial sector and economic theories, there is no clear-cut definition of the latter. In some respects, Islamic banking has proffered an image of an institution that facilitates the mechanisms of *zakāt* and *ribā*, which gained momentum during the 1970s as revenues increased in the Gulf states.²⁵⁸

As it will be clear in Chapter Three, despite a limited and regulated, profit-based economy that had developed in early Islam,²⁵⁹ classical Muslim scholars nonetheless called for safeguarding of economic activities in conformity with the *Sharī'a*'s moral cosmology.²⁶⁰

²⁵⁷ The real-world Muslim society is a society in which ethical and religious considerations on economic affairs of Islam are to be taken and implemented, indicating that one of the characteristics of an Islamic economic system is the distinctive nature of ethical tenants in comparison to socialism or capitalism. Seyed Nawab Haider Naqvi, "The Dimensions of an Islamic Economic Model," 3.

²⁵⁸ "A History of Islamic Finance," Islamic Finance.com, last modified February 8, 2015, <http://www.islamicfinance.com/2015/02/an-overview-of-the-history-of-islamic-finance/>; Charles Tripp, *Islam and the Moral Economy*, 135.

²⁵⁹ For the proponent of an idea that early Islam has developed a market driven economics, see for instance Benedikt Koehler, *Early Islam and The Birth of Capitalism* (Lanham: Lexington Books, 2014), 145-156.

²⁶⁰ See e.g. the writings of al-Shaybānī, al-Ghazālī, Ibn Taymiyya, al-Maqrīzī, and their exposition of economic conduct within the notion of the Hereafter.