

## Introduction

### The Premise

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

This book does not analyze the field of economics and finances per se or the *fiqh* works that discuss economic provisions but the discourse and conceptual framework of economic thought in Islamic tradition pertaining to moral, philosophical, legal, and theological ideas of classical and contemporary Muslim scholars. Also, it does not aim to address and/or compare the relations between and among neoliberal capitalist,<sup>1</sup> Marxist, and Islamic economic thinking.<sup>2</sup> Instead, it interrogates how the subject matter and the discourse of Islamic economics emerged, what forces contributed to its development, and, even more so, how different the contemporary subject is from classical economic philosophy in the Islamic tradition. It is hence centered on the *making* of Islamic economics as an intellectual endeavour and as a discipline.

<sup>1</sup> By neoliberal economics, I mean neoliberal political philosophy, whose public policy and assumptions often refer to neoclassical economics and uphold free trade, low taxes, and low government regulations. The neoclassical economic movement, which started between 1960 and 1980, relates to the intellectual tradition of classical liberalism. See e.g. Richard D. Wolff and Stephen Resnick, *Contending Economic Theories: Neoclassical, Keynesian, and Marxian* (Cambridge, MA: MIT Press), 336–338.

<sup>2</sup> On the comparison between neoliberal, Marxist, and Islamic economic ideas, see for instance Maxime Rodinson, *Islam and Capitalism* (New York: Pantheon Books, 1974); Muhammad Bāqir al-Šadr, *Iqtisādunā* (Tehran: World Organization for Islamic Services, 1982), vol. 1, parts 1 and 2.

Despite the fact that Chapters 2 and 4 analyze the methodological shortcomings of contemporary Islamic economics, this project neither attempts to engage with political criticism of the contemporary Islamic economic project nor does it seek to underpin its religious ideas. Rather, it attempts to analyze the classical economic tradition, as put forward by several Muslim scholars, and its distinguished and distinguishing features, which I argue have been lost in the modern era. It does so through tracing the sociology of knowledge that occurred in the shift within the structural processes from colonial to postcolonial Muslim states and by peering into Muslim scholars' writings that elaborate how local structures foresaw socioeconomic development through constructing possible "Islamic" solutions.

The importance of the moral understanding of economic life that was present in the classical Islamic intellectual tradition seems to be understood differently in the contemporary subject of Islamic economics and finance for various reasons. The birth of contemporary Islamic economics was colored by the evolution of the natural and social sciences and the European classification of modern social sciences,<sup>3</sup> including the economic discipline, which is concomitant with a particular worldview and vision of knowledge that espouses primarily a material understanding of economic relations. Contemporary Islamic economics also draws from socioeconomic and political developments that occurred in the Middle East and South Asia in the nineteenth century as many Muslim reformists<sup>4</sup> across the region envisioned an Islamic society with *Sharī'a*<sup>5</sup> as a central paradigm. This

<sup>3</sup> See Thumas Khun, *The Structure of Scientific Revolutions* (Chicago, IL: University of Chicago Press, 1970).

<sup>4</sup> In this book, I use the terms reformists/revivalists, Islamists, and *nahḍa* scholars interchangeably, unless otherwise indicated. It is important to note though that the Arabic terms *tajdīd* (renewal) and *ihyā'* (revival) are often used concurrently, even though renewal is more akin to the very notion of reform or *iṣlāḥ*. For more details about the reformist period, its main representatives, and their ideas, see Chapter 1.

<sup>5</sup> All Arabic (and Persian) characters, words, and phrases are transliterated according to the *Encyclopaedia Islamica* style. At times, the letter "h" is omitted at the end of certain Arabic words (e.g. *hisba*, *Sharī'a*). "System of Transliteration of Arabic and Persian Characters," *Encyclopaedia Islamica*, last modified 2017, <http://referenceworks.brillonline.com/entries/encyclopaedia-islamica/system-of-transliteration-of-arabic-and-persian-characters-transliteration>. In the Bibliography and in the footnote citations, works by Sayyid Abū al-A'la Mawdūdī, Maḥmūd Tāliqānī, Sayyid Quṭb, and Alī Sharī'atī have

impacted the Muslim development of contemporary Islamic economics vis-à-vis the Islamists' call for an Islamic state. It also influenced the process of Islamizing sciences, which has been narrated as one component of Islamic identity. This is, however, only part of the story. Europe's incursions into the Middle East in the nineteenth century amounted to a paradigmatic geopolitical and economic shift in Muslim countries.<sup>6</sup> Economic ideas expounded by Muslim scholars in the first half of the twentieth century (as will be indicated in Chapters 1 and 2) emerged as a call for an Islamic vision of (state) economy, which went hand in hand with early twentieth-century Islamists' vision of an Islamic state. This was followed in the latter half of the same century by a flourishing of Islamic economic theories and the establishment of an Islamic banking system.

The problem of contemporary Islamic economics is, however, not so much about the question of identity but rather the position of science, the perception of knowledge, and the role of *Shari'a* in constructing such an identity in relation to the colonial restructuring of the social fabric. As will be evident in the following pages, Islamic economics has been trapped in this construction of scientific positivism, colonial sociopolitical determinations, and the call to Islamize knowledge. It eventually surfaced as a reconfigurative economic system, only to yet again be incorporated in the domain of mainstream or orthodox economic narratives.<sup>7</sup>

From the very outset, this book is concerned with the plural and polyvalent methodology of studying the phenomenon of Islamic economic thought as a human science in that it displays and nurtures a complex plenitude of meanings and interpretations that are often associated with the moral self.<sup>8</sup> As such, it studies economic thought in

been listed under the spellings here, even if the publication uses a different spelling.

<sup>6</sup> Tomoko Masuzawa, *The Invention of World Religions* (Chicago, IL: University of Chicago Press, 2005), 180.

<sup>7</sup> By orthodox or mainstream economics, I refer to economic theories often described and considered as part of the neoclassical economics tradition. Mainstream economics applies rational choice theory and emphasizes individual maximization of one's own utility. Moreover, such theories at times use statistics and mathematical models to demonstrate economic developments. For more see e.g. Wolff and Resnick, *Contending Economic Theories*.

<sup>8</sup> For more on Islam as a religion and its plural forms, see Shahab Ahmed, *What Is Islam? The Importance of Being Islamic* (Princeton, NJ: Princeton University Press, 2016), 5.

the Islamic tradition and *Shari'a* through a multitude of approaches in what I call the plural epistemology of Islam's moral economy,<sup>9</sup> which advocates for a multifaceted hermeneutical reading of the subject in light of a moral ethos. This moral law is embedded in a particular cosmology of human relationality, metaphysical intelligibility, and economic subjectivity. Since epistemological reasoning is also concerned with the question of justification and the limits of this field, the epistemological inquiry poses questions about what sources are utilized by religious scholars and Muslim economists and how a plural epistemology can be presented as an alternative hermeneutical process in economic thought. I propose to approach the phenomena of (contemporary) Islamic economics through a genealogical, epistemological, and social analysis of the historical conditions that formed the very subject and to further introduce the mechanisms and methodology to study economic teachings in Islamic tradition as complex polyvalent phenomena based on *Shari'a*'s moral cosmology.

Hence, this project sets forth to demonstrate that the popular discipline of Islamic economics often obstructs the complexity of historical, sociopolitical, intellectual, and especially moral structures and boundaries between ethics, *Shari'a*, and economic conduct. If one were to claim that there is no functional Islamic economy, this would be done in light of renouncing the existing platform of contemporary Islamic economics with its financial and banking aspects that have been put into practice, which retrospectively justifies the validity of the discipline. An epistemological and hermeneutical reading of Islamic economic thought via classic Islamic scholarship, which nurtured a multiplicity of major paradigms (e.g. *Shari'a*, *taṣawwuf*,<sup>10</sup> *falsafa*, *kalām*), can provide both a metanarrative of viewing economic teachings in Islamic tradition as a method to bridge the gap between the heavenly and the mundane and a reconciliation of seemingly unlikely

<sup>9</sup> See Chapter 5.

<sup>10</sup> Throughout the book, I do not equate *taṣawwuf* with mysticism. While it is more appropriate to understand mysticism as belief that union with the absolute is inaccessible to the intellect, *taṣawwuf* (and Sufism) is essentially concerned with experiential knowledge and the validity and authority of that knowledge. Throughout the history of Islam, there have been diverse Sufi movements; Sufism was mystical in only some of them. For more on *taṣawwuf* see e.g. Muhammad Abul Haq Ansari, *Sufism and Shari'a* (Leicester: Islamic Foundation, 1986); Alexander Knysh, *Sufism* (Princeton, NJ: Princeton University Press, 2017).

concepts, such as responsibility with economic conduct, morality<sup>11</sup> with law, spirituality with *Shari'a*, and 'ilm with 'amal. Thus, in order to explicate the *making* and *unmaking* of an Islamic economic discipline, it is of utmost importance first to discern the legal supremacy of economics from its moral normativity and second to provide a clear picture of systemic divergences and disparities between classical and contemporary ideas by analysing Muslim scholars and their texts. In order to first analyze and second de-essentialize and define the subject matter of Islamic economics with all its peculiarities and specifics, this book will examine the historical development of Islamic economic thought. It includes two different stocks of knowledge, that is, materials and sources from Islamic intellectual tradition and major works in Western philosophy and economics. Various religions and cultures have aimed to present the best economic model for humanity, advocating the aspect of justice and morality.<sup>12</sup> This is also the case for the Islamic tradition. What differs substantially, however, is the very concept of the *economic* as an extension of the *moral* in Islamic and Western traditions, especially after the Enlightenment period.

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

<sup>11</sup> As it will be shown in the following pages, primarily in Chapters 3 and 5, the moral self is the center of restructuring of social fabric in the selected texts I analyze within the Islamic tradition. Morality is not concerned only with rules and principles but with the cultivation of certain inner dispositions and traits of character that pertain to *Shari'a*'s moral cosmology. Hence, in view of *Shari'a*'s moral cosmology as it appears in many of the classical texts discussed in Chapter 3, morality is in line with virtuous standards based on pure will and intrinsic predisposition (*niyya*) and is not born out of a need to fulfill obligations. See e.g. Abū Ḥamid al-Ghazālī, *The Alchemy of Happiness*, trans. Claud Field (London: J. Murray, 1910); H. A. Prichard, "Does Moral Philosophy Rest on a Mistake," *Mind*, vol. 21, no. 81 (January 1, 1912): 21–37, <https://doi.org/10.1093/mind/XXI.81.21>.

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

In what follows, I briefly present the major aspects of the book, which concern some of the trends of Western economic history and philosophy, as well as the social and intellectual history of Islamic economic thought, and how the two systems vary in their historical development and epistemic (as related to position of knowledge and its justification) reasoning of what constitutes the realm of *economic*. In the second part of the Introduction, I present the main research question. Finally, I survey each chapter of the book and its major elements in more detail and discuss the need for and relevance of such scholarly research.

### Western Philosophical Tradition and the Birth of Economic Science

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

Economic science as a purely objective branch of knowledge neither existed in the classical Islamic tradition, nor in pre-Enlightenment Europe.<sup>13</sup> Nowadays, economics is often defined through the understanding that scientific method is the only way to accrue knowledge, which is often purported as scientism, an ideological construction of science that views only scientific claims as meaningful. On the relation between natural sciences and economics, one can observe that

From the mid-nineteenth century onwards economics has fancied itself as methodologically akin to physics. Therefore, almost inevitably economists saw the physics-related revolution in the philosophy of science as relevant to economics as well. Meanwhile the identification of economics with physics in the economist's mind had become so strong that it almost completely obscured the most fundamental difference between the practice of physics (and indeed of all the natural sciences) and the practice of economics.

<sup>13</sup> See for instance scholasticism and the theory of natural law. Thomas Aquinas, *Summa Theologica*, trans. Fathers of the English Dominican Province (Perrysburg, OH: Benziger Bros., 1947); Joseph A. Schumpeter, *History of Economic Analysis* (Abingdon, UK: Taylor & Francis, 2006), chapter 1.

Whereas physics invents and chooses its methods on the basis of the nature of the phenomena that it studies, economics does not.<sup>14</sup>

The science–religion divide depicts religious knowledge as incompatible with scientific reasoning and suggests that it has to be put under the same scrutiny. This divide is the result of various factors, including a shift in attitudes from liberal to evangelical Christianity in Europe, the rise of creationism in America, and advances in physics and biology; it is most noticeable in Western traditions. Yet, this view is antithetical to Islamic tradition, in which the material constitutes a part of the cosmological. The quest for scientific (natural) economic laws and development of economics as an independent science (as organized knowledge) dates back to the very beginnings of philosophical thought and its relation to economic science. Despite its rich and diverse history, orthodox economic thought as it emerged in early modern Europe can be read as an effort to separate ideological taints from objective research in order to establish its scientific status. The divorce of economics and ethics, the two of which were formerly entangled with religion, took place first through the process of secularization during the Renaissance, given the rise of the market and the subduing of the moral to the necessities of the commodity exchange: “Secularization, thus understood, is properly described as a general orienting concept that causally links the decline of religion with the process of modernization.”<sup>15</sup>

The first issue this book is concerned with is the so-called Cartesian bifurcation,<sup>16</sup> which dissociated philosophy from theology, a move that in turn secularized the sciences of nature. The Cartesian

<sup>14</sup> Edward Fullbrook, “Introduction: Lawson’s Reorientation,” in *Ontology and Economics: Tony Lawson and His Critics*, ed. Edward Fullbrook (London: Routledge, 2009), 3.

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

<sup>16</sup> See Wolfgang Smith, *The Quantum Enigma: Finding the Hidden Key* (Hillsdale NY: Sophia Perennis, 2005), 7ff.; Wolfgang Smith, *Cosmos and Transcendence: Breaking through the Barrier of Scientistic Belief* (San Rafael, CA: Sophia Perennis, 2008), 21–38; Wolfgang Smith, *The Wisdom of Ancient Cosmology*:

bifurcation elevates quantitative measurement of science and theory while denigrating the direct experience of qualities. The distinction between false and true, uni- and multidimensional aspects of the universe is encapsulated in the scientific revolution<sup>17</sup> and its main representative is the philosophy of René Descartes, who believed that only that which is measurable is true.<sup>18</sup> This theory goes hand in hand with the assumption that the external world is a mechanical structure, which bisects quality from quantity, since the *modus operandi* of physics is based upon measurements. In relation to measurements, Wolfgang Smith states that

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

*Contemporary Science in Light of Tradition* (Oakton, VA: Foundation for Traditional Studies, 2009).

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

<sup>18</sup> “Somit darf ich als allgemeine Regel festsetze, daß alles das wahr ist, was ich ganz klar und deutlich auffasse.” (videor pro regulâ generali posse statuere, illud omne esse verum, quod valde clare & distincte percipio). René Descartes, *Meditationes III*, trans. Gerhart Schmidt (Stuttgart, 1986) in Thomas Bauer, *Die Kultur der Ambiguität: Eine andere Geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011), 55–56.

<sup>19</sup> Smith, *Quantum Enigma*, 29–30.



The scientific revolution was superseded by the Age of Enlightenment<sup>20</sup> as an intellectual and philosophical movement that favored reason and ideas such as liberty, rationalism, progress, and separation of church and state. The Enlightenment is often regarded as the foundation of modern Western political and intellectual culture, whose main figures include Voltaire, Denis Diderot, Jean-Jacques Rousseau, David Hume, Adam Smith, and Immanuel Kant. Various Enlightenment philosophers overthrew traditional (religious) authority and exuberantly supported empiricism and rational thought, which was concomitant with progress. One such proponent was David Hume.

Closely related to the Cartesian bifurcation is the second perspective pertaining to classical economics and the inner association between “positive” and “descriptive” statements. This division is a consequence of Hume’s “is–ought” dichotomy, whereby the “is” describes the way something “is,” while the “ought” denotes “what ought to be.”<sup>21</sup> It was this distinction that helped create the paradigmatic shift in the modern sciences that dichotomized fact from value,<sup>22</sup> which culminated in the making of the modern bureaucratic state<sup>23</sup> – a fact that bears significance also for the Islamic economic project. Even though social sciences as a separate field emerged in the nineteenth century, since the Enlightenment the majority of economists have been seeking to mathematize the field of economics. The result was the process of deductivism in economics (morphing developments within the discipline of mathematics into mathematical deductivism),<sup>24</sup> while practitioners were oblivious to the given inconsistency between scientific and

<sup>20</sup> See e.g. Immanuel Kant, “Was ist Aufklärung?,” *UTOPIE kreativ*, vol. 159 (2004): 5–10; Michel Foucault, “What Is Enlightenment?,” in *The Foucault Reader*, ed. P. Rabinow (New York: Pantheon Books, 1984), 32–50.

<sup>21</sup> David Hume, *A Treatise of Human Nature* (Auckland, New Zealand: The Floating Press, 2009).

<sup>22</sup> See e.g. Alasdair MacIntyre, *After Virtue* (Notre Dame, IN: Notre Dame Press, 2007).

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

<sup>24</sup> “Academic economics is currently dominated to a very significant degree by a mainstream tradition or orthodoxy, the essence of which is an insistence on methods of mathematical-deductivist modelling.” Tony Lawson, *Reorienting Economics*, (London: Routledge, 2003), 3, 5.

mathematical modeling, as well as about the ontological presuppositions of the nature of social reality. The rise of mathematical deductivism has culminated in positivism as a philosophical system that recognizes only that which can be scientifically verified, while rejecting metaphysics.<sup>25</sup> Its well-known representative, Auguste Comte (d. 1857), developed a threefold theory of social evolution, which concludes in positivism.<sup>26</sup> Namely, methods found to be successful in natural sciences were applied in social sciences. Tony Lawson holds that the world that mainstream economists analyze is the empirical world. Instead, economics ought to embrace a “social ontology” to include the underlying causes of economic phenomena: “The futile search for constants in human behavior condemns econometrics to sterility; it disregards the basic truth that human beings act.”<sup>27</sup> This dichotomy was, however, unknown to the classical Islamic intellectual tradition in which the economic, legal, and political were placed under the banner of the moral. In view of the positivist foundations of modern (Islamic) economics and its financial aspect, this tradition is rendered undesirable since mathematical axioms often do not correspond to the reality on the ground and have little to do with the epistemological axioms of premodern economic thought.

On the level of economic policies and international trade, between the sixteenth and eighteenth centuries mercantilism as a type of national economic policy dominated parts of Europe. It was designed to maximize the export and trade of a nation by accumulating gold and silver while minimizing costs.<sup>28</sup> Mercantilism developed during a time of major economic transition in Europe, when feudal estates were transforming into nation-states and the accumulation of monetary

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

<sup>26</sup> Auguste Comte, *A General View of Positivism* (Cambridge: Cambridge University Press, 2009).

<sup>27</sup> Further, he argues “for a theory of social ontology that includes forms of social structure, including social relationships, rules, positions, processes and totalities, etc., that collectively constitute a relatively autonomous realm, being dependent upon and resulting from human interaction, but with properties that are irreducible to human interaction, though acting back upon it.” (Lawson, *Reorienting Economics*, 68).

<sup>28</sup> For an overview of mercantilist literature, see Schumpeter, *History of Economic Analysis*, chapter 7.