The following handle holds various files of this Leiden University dissertation:
http://hdl.handle.net/1887/59472

Author: AlDaghistani, S.
Title: The making of Islami economics: an epistemological inquiry into Islam's moral economic teachings, legal discourse, and Islamization process
Issue Date: 2017-11-30
Chapter Four:
The Appraisal – Contemporary Islamic Economics and the Entrenchment of Modernity

First, we must examine our own Islamic tradition in the light of these criteria and principles and then critically study the body of knowledge created by modernity.

Fazlur Rahman, Islamization of Knowledge: A Response, 457

To rid myself of fear, or love, or the desire to conform is to liberate myself from the despotism of something which I cannot control.

Isaiah Berlin, Liberty, 185

1. Introductory Remarks

Apropos the analysis of the revivalists’ ideas on socioeconomics developments in the Middle East and South Asia in Chapter One, the study of contemporary Muslim economists in Chapter Two, and the research on classical economic thought in Chapter Three, this fourth chapter interrogates and critiques the inner structure of contemporary Islamic economics in relation to Sharī’a’s moral predicaments and the Islamization of knowledge process. The first part of the chapter discusses the intricate relation between Sharī’a and the field of economics in Islam by critiquing the legal premise of contemporary Islamic economics. I do not provide a critique of Sharī’a, but rather of the understanding of Sharī’a in its role in establishing the methodology of the subject of Islamic economics. Since part of methodology of Islamic economics is based on the application of juristic principles and ethical norms to the mainstream economic dispensation, I argue that the classical perception of Sharī’a as a moral institution has been lost in contemporary Islamic economics due to its adaptation of modern social sciences and its principles. Furthermore, expounding methodological and epistemological inconsistencies of contemporary Islamic economics asserts that the notion of Sharī’a as primarily a moral category is essential to understating economic behaviour in Islamic tradition.

The second section of this chapter critically examines the Islamic economic project’s epistemology, methodology, and the amalgamation of the two epistemic systems: Islamic
conceptual history and Western economic tradition. This composition provided Islamic economics with a hybrid framework, consisting of Islamic ethics and neoclassical economic outlook. This section analyzes the following scholars who have raised concerns and critiqued the nature of Islamic economics: Muhammad A. Khan and his later writings on Islamic economic science; Rauf Azhar who rearticulated the role of ribā in Islamic history; Sohrab Behdad and Abbas Mirakhor who elaborated on the epistemology of the Islamic economics; Thomas Phillipe, Volker Nienhaus, Shinsuke Nagaoke, and Timur Kuran, who analyzed the subject from its very emergence; Seyyed Vali Reza Nasr, who addressed the lack of consistency of Islamic economic philosophy; and Syed Farid Alatas, who has voiced criticism over the construction of social sciences in the West and Muslim economists’ blind following of its paradigm.

The idea of contemporary Islamic economics did not evolve from the classical Islamic tradition and its association with the Islamic sciences of nature. Certain economic institutions and moral practices within the market existed in premodern Islam, yet were based on different epistemic tradition. When classical Muslim economists discussed traditional concepts of price regulations, market mechanisms, expenditures, and so forth, they did so in view of moral theories based on Islamic natural sciences. However, contemporary Islamic economics is grounded in positivist economics and the notion of utility. It is a modern project, created within the philosophical structures of modernity. In this context, modernity refers to the end result of the scientific, social, economic, and political process of modernization that began in Europe in the 18th century. Modernist discourse (or modernism) was informed by the principles of 19th century liberal philosophy and its outlook on scientific, social, legal, and economic life, including the process of democratization, economic development, scientific progress and evolutionary theory.

The process of modernization, which encompasses modern scientific knowledge including processes of rationalization of economic life, urbanization, industrialization, and different social

---

2 In spite of the fact that mainstream economics is diverse, and that various views exist also within contemporary Islamic economics, the majority of Muslim economists, however, resort to basic economic postulates found in the Western economic tradition. Alatas states that both Marxist-inspired and neoclassical theories are informed by that very discourse and the ideas of development of the 19th century liberal philosophy. Syed Farid Alatas, “The Sacralization of the Social Sciences: A Critique of an Emerging Theme in Academic Discourse,” *Archives de sciences sociales des religions*, 40e Année, 91 (1995): 92.
structures, spread beyond Europe. This shift in the non-Western societies meant also academic dependency on social sciences, linking the advancement of industrialization process with particular economic thinking. At the same time, Islamic economics was conceived as a reaction to materialism and capitalism. The majority of contemporary Muslim economists either proposed to Islamize the discipline of economics, or suggested integrating the existing economic theories and concepts into Islamic economic system. It appears that the structural challenge the Muslim countries faced in the 19th and 20th centuries, coincided not only with militarism and cultural intrusion, but also with a forceful economic restructuring. Contesting capitalism and socialism was part of the methodological blueprint of Islamic economic theories, aligned with the prevalent economic order, despite its distinct characteristics. This entailed negotiating over Islamic law and its legal aspects.

2. Modern Divergences of Sharī’a’s Moral Principles

As demonstrated in Chapter Two, the majority of contemporary Muslim economists maintain that the Islamic economic project is part of Islamic law and jurisprudence, since Islamic economics builds upon knowledge established by Muslim scholars and jurists. This would indicate that key terms that also have economic significance, such as ribā, zakāt, the utilization of money, maṣlaḥa, and commercial and legal transactions, would fall primarily under the category of fiqh.

---

5 For more on the concept of modernization in relation to colonialism and Arab nationalism, see Bassam Tibi, Arab Nationalism: Between Islam and Nation-State (London: Palgrave Macmillan, 1997), 46 f.
7 Wael Hallaq, The Impossible State, 152. Shahab Ahmed claims that the revivalist discourse of modernity addressed the conceptions of Islamic state and law, not other discursive fields of Islam, such as theology, philosophy, ethics, poetics, and we could add, moral cosmology of economics. “It is striking that so much of the discourse of modern reforist Muslims – who have, for the most part, received the norms of modernity second-hand and by the force of arms and coercive administrations of European colonialisms – about (what is Islam has been about rethinking the Islamic state by rethinking law, and not about rethinking theology, philosophy, ethics, poetics, and Sufism as a hermeneutical means to modern Islamic norms. The relative lack of concern on the part of even the most self-consciously critical modern Muslims to re-think or reform normative Islam in terms of theology, philosophy and ethics – let alone Sufism and poetics – is one of the most peculiar, but also symptomatic, elements of Muslim modernity as modernity.” Shahab Ahmed, What is Islam?, 125-126.
8 Waleed Addas’s comparison of conventional and Islamic economics’ methodologies indicate that the latter is based on fiqh and usul: “Islamic economics is in a measure generated through the application of Islamic fiqh.” Waleed Addas, Methodology of Economics: Secular vs. Islamic, 97.
9 “For example, a person may claim that the prohibition of riba is decreed by Shari’a, but this claim cannot be meaningful without a clear definition and application of this term, which is the subject of fiqh. Since human
However, since the essence of the classical *fiqh* discourse was from the very outset theological in nature,¹⁰ the moral premise of *Sharī’a*, lies at the core of economic endeavours.

Islamic law (*fiqh*) has always been perceived as religious law with a Divine character; however, this Divine aspect was made absolute,¹¹ which in the modern period also reinforced a legal supremacy. *Sharī’a*, however, was not separated from the conception of Qur’anic morality in the premodern era, therefore the dichotomy between the two epistemic systems did not exist.¹² The presupposition of viewing economic thought in Islam as part of *fiqh* rests upon the idea that modern Islamic economic thought was conceived within the mechanisms of the modern state and consequently as a legal devise, unlike medieval economic philosophy in Islam, which was embedded predominately within the moral contexts, including its metaphysics.¹³ One of the main differences between classical and contemporary scholars on Islamic economics is that the former based their arguments on theological foundations, whereas the latter on legal positivism and modernist discourse, extending it also to Islamic finances and banking. The majority of medieval Muslim scholars, many of whom were jurists themselves, positioned their ideas and theories on

---

¹⁰ “The essence of fiqh discussions has always been theological; it is only of late that jurists tend to focus attention on economic matters in two directions. Since most of them are not well-versed in economics they test at the mainstream concepts on the juristic touchstone for pronouncing judgment on their efficacy for Islamic economics. Since jurisprudence is for most part micro in character they miss at times the macro implications of their opinion.” Waleed A.J. Addas, *Methodology of Economics: Secular vs. Islamic*, 98.

¹¹ Bauer brilliantly defined Islam as a culture of ambiguity also within the realm of Islamic law, by extrapolating legal terms in Islamic intellectual history and offering a theory of how those terms were not made religiously, despite their also non-theological and social aspects. See Thomas Bauer, *Die Kultur der Ambiguität. Eine andere geschichte des Islams* (Berlin: Verlag der Weltreligionen, 2011). For the critique of Bauer not defining but rather presupposing the already established categories of “religious” and “secular”, see Shahab Ahmed, *What is Islam?*, 210 and 409: “Invaluably, Bauer documents and describes a great deal of ambiguity in, especially, the Arabic-language discourse of premodern Muslims prior and adjacent to the Balkans-to-Bengal complex. However, he does not interrogate the categories of “religious” and “secular,” nor of “culture,” but rather treats ambiguity in terms of these categories, which he evidently regards as inherently valid and with which he operates. In his conceptualization and analysis of the significance and meaning of ambiguity he thus falls into many of the deficiencies consequent upon the application of these categories that have been diagnosed above...”

¹² “Islamic governance was productive of subjectivities that were paradigmatically Shar’ī based... Their distinction between – and the segregation of – the legal and the moral indeed constituted the first act in the emergence in nineteenth century colonial Europe of the academic subject of ‘Islamic law.” Wael Hallaq, *The Impossible State*, 111.

¹³ “Ultimately law was the systemic hallmark of submission to the Lord of the World, Rabb al-‘Alamin, who literally owns everything – everything being, after all, created by Him. Technically, therefore, law becomes subservient to, and dependent on, the mother science of theology which established not only the existence, unity and attributes of God, but also the ‘proof’ of prophecies, revelation, and all the fundaments of religion.” Wael Hallaq, *Sharī’a: Theory. Practice, Transformations*, 79; Sami Al-Daghistani, “Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought,” 401.
economic conduct within the field of theology, Sufism, and overall Qur’anic epistemology. For
them, *fiqh* was not separate from the moral values of the Qur’an.14

The epistemological differences between premodern and modern conceptualizations of
*Sharī‘a* (which also affected the nature of economic thought in Islam) occurred during the
colonial occupation of the Middle East region during the 19th century, which had a direct impact
on the governmentality and reforming of Muslim societies.15 Unlike military interventions, the
economic and political reshaping of colonized societies generated an epistemological rupture in
the social order, education, and knowledge, for it re-constitutionalized subjects as citizens. The
19th century was transformative for the sociology of knowledge of those societies, since the
transformation meant a form of forced “progress” especially in the domain of politics, law, and
sciences.16 In order to reassess economic thought in Islam and the kind of role in which morality
plays in it, the nature of *Sharī‘a* has to be determined – meaning, that *Sharī‘a* not only regulated
the subject but also what kind of behavioural patterns (in relation to economic postulates) it
reckoned. If *Sharī‘a* is nowadays defunct, since it has been replaced by Western codes and laws,
it serves only as a “moral resource.” Yet, unlike Western laws which are coercive systems,*Sharī‘a*
was primarily a moral project from the very beginning, drawing upon historical
precedence. While law as understood in modern times contains systematic rules as something that
is external to it, *Sharī‘a* in its core encapsulates morality as something that is inherent and
achieved through the technologies of the self.17 As such, *Sharī‘a* does not only “regulate” human
behaviour and deeds, but is first and foremost inextricably linked to one’s *niyya* as intention,
striving, intent, and predisposition. The differentiation between *Is* and *Ought* which is evident on
the epistemological level in the West pertains to the rise of the legal and the political.18 “The
scholars who created the knowledge that is ‘Islamic law’ and whose measure of legal culture is

---

14 “…economic life, however messy, was regulated not only by technical *Sharī‘a* rules but also by a pervasive
15 For examples of Malaya, Egypt and British India, see Iza Hussin, *The Politics of Islamic Law* (Chicago and
16 “… the doctrine of progress is the brainchild and handmaiden of the modern conception of history.” Wael Hallaq,
*The Impossible State*, 16. See also Christopher Dawson, *The Making of Europe* (New York: Meridian Books, 1956);
17 “Islamic governance was squarely the product of Islamdom, of the total historical experience of Islamic culture,
values, and weltanschauungs, however varied within the tradition these experiences may have been. Constitutive
of the difference is the absence from the Islamic paradigm of a monarch or state that controlled legislation. The
‘legislative’ in Islam did account for the ruler and for a certain reality of politics, but it was not the product of politics
or the political.” Wael Hallaq, *The Impossible State*, 110. See also the whole of chapter five (98-138) as well as
18 “The political is not a distinct filed of power relations, nor is it just matter of politics, economy, ethics, or science.
The political is an all-encompassing, pervasive phenomenon that intrudes upon all fields, upon existence itself.”
Wael Hallaq, *The Impossible State*, 75, 80-82, 90.
on imbued with the intrusive and ubiquitous agency of the state found incomprehensibility deficient a ‘law’ that not only seamlessly meshed with morality but depended on morality for enforcement.”\(^\text{19}\) Infusing religion, which was viewed as a theological and moral force, with the force of law foreclosed the perception that religion was based on moral terms.

**2.1. Islamic Conceptions of the Modern State**

*Sharī’a* has often been conflated with the law of the Ottoman Muslim lands, known as *qanūn*.\(^\text{20}\) According to Griffel, many perceive *Sharī’a* as a canonized code of law, similar to Western and laws.\(^\text{21}\) The modern term “law” is as observed by Hallaq charged with Foucauldian notions of surveillance, inconspicuous punishment, and hegemony over and subordination of the docile subject, all of which mechanisms of control (at the very least) make our modern notion of law, and therefore of morality, quite different from any earlier legal system and therefore from earlier notions of ‘law’ – those of pre-sixteenth century Europe included. What is ‘legal’ in the Qur’ān and in the *Sharī’a* that was based on it is also equally ‘moral’ and vice versa.\(^\text{22}\)

New interpretations of *Sharī’a* by Muslim scholars and activists such as Ḥasan al-Bannā, Sayyid Qūṭb, Muhammad Iqbal, Abū al-A’lā Mawdūdī\(^\text{23}\) and others called for the integration of *Sharī’a* into state institutions within Muslim countries. Along with the revivalist movement which

---

\(^\text{19}\) Wael Hallaq, *The Impossible State*, 112.

\(^\text{20}\) “Islamic law, on the other hand, runs counter to the great majority of the code’s attributes. First, Islamic law did not lay any claim to exclusive authority. In fact, it depended on the cooperation of customary and royal law (*siyāsa shar’īyya*), the former being the systemic prop upon which morality meshed into law as a ‘rational’ system. Nowhere did Islamic law operate exclusively, and everywhere customary law was entwined with it in the realm of practice. Nor, in this connection, was Islamic law declaratory, in that it never pronounced itself as the bearer of exclusive authority, as having come to replace others in the field. By its hermeneutic and highly individualistic nature, Islamic law was not systematic according to the European perception of the world, although an expert in it might have viewed the matter entirely otherwise. Similarly, from a modern perspective, Islamic law has been described as obscure and complex, unlike the ‘clear and accessible’ code. While the code is clearly more accessible than treatises of *fiqh*, the argument of clarity is no more than a relative one. An expert in *fiqh* may find it as clear as the modern lawyer finds the code. Admittedly, however, Islamic law cannot be said to have internal uniformity, since plurality of opinion – the so-called *ijtihādic* pluralism – is its defining feature par excellence.” Wael Hallaq, “Maqāṣid and the Challenges of Modernity,” *Al-Jāmi’ah*, Vol. 49, No. 1 (2011): 24.


advocated the inclusion of *Sharīʿa* into the daily lives of Muslims, their sociopolitical struggle consequently encouraged the re-evaluation of economic life of Muslims, which was however aligned with the modernist tradition. The idea of the caliphate was reinterpreted as the supreme instance of policymaking – central to Islamic community, yet compatible with the nation-state. Politically, legally, and structurally, this culminated in a hybrid system of a utopian Islamic society.

The ubiquitous perception of Islamic law as *Sharīʿa* stems from the dichotomization of the concept of law from morality. The problem of reading *Sharīʿa* as both Islamic law derived from Qur’anic morality and a separate entity emanates from Western intellectual discussions and later Orientalists’ appropriation of such binaries and paradigms. In premodern Islamic tradition, however, the moral and the legal were not dichotomized and were interwoven into the Qur’anic fabric of a worldview. Hallaq states that “the conceptual and linguistic transformation that occurred within the Enlightenment was to be more or less replicated about a century or two later in modernized Islam.” It has been well documented that with the onslaught of colonialism, the institution of *Sharīʿa* was marginalized and gradually diminished due to its importance in the lives of Muslims as one of the central paradigms in Islam. This has resulted in the replacement of *Sharīʿa*-related laws “with statutory laws of non-Islamic origin.”

Moreover, the idea of the concept of Islamic state has re-emerged along with the discourse of the revival of political Islam and Islamic economics, and was seen as the alternative to the

---

27 Wael, Hallaq, “Groundwork of the Moral Law: A New Look at the Qur’an and the Genesis of *Sharīʿa*,” 257; see also Thomas Bauer and his theory of Islam as a culture of ambiguity in relation to how Cartesian philosophy and worldview via the colonization shaped a modern Islamic vision of fields of knowledge, including law.
28 Hashim Kamali, *Sharīʿa Law: An Introduction*, 233; Hallaq states that “... Islamic law and the nation-state operated in two opposing directions, the latter compelling and pushing towards an exclusive and ultimate center, and the former demonstrably centrifugal. As typical of Islamic structures (evident in social organization, urban and rural economic organization, mosque architecture, and premodern dynastic bureaucracies), the law operated horizontally, so to speak. Aside from judicial appointments which were nominally, if not symbolically, hierarchical, the administration of justice was largely, if not exclusively, limited to the self-structured legal profession.” Wael Hallaq, “*Maqāṣid* and the Challenges of Modernity,” 19.
29 For more on the revival period in Islam and the economic discourse, see the Chapter One of this thesis.
abolished caliphate. Al-Na’im and Hallaq have shown that if the modern nation-state entails an antithetic problematic for the Muslim realization of their socioeconomic lives, then the concept of an Islamic state is a fallacy and impossibility. While al-Na’im distinguishes between state and politics and claims that the ultimate neutrality of the state is impossible, he calls for a secular state and not for secularizing society. “Islamic law was in the premodern period not an elitist enterprise disconnected from the general public; nevertheless, access to rule-making and rule-giving was procured for those who mastered the scriptural sources and customary laws.” Even if some scholars claim that Islamic law is compatible with the modern state, as long as the preservation of maṣlaḥa exists, the restructuring of the moral fiber of an individual inevitably involves rethinking the concept of the modern state. In the premodern time the Islamic authority

---

30 Rulers of the Islamic nations have always promulgated statutory laws and regulations based on their prerogative of siyāsa, since after colonialism Sharīʿa left a legal void. However, it was argued that the practice of siyāsa was, by consequence, in accordance to Shariʿa. and could hence be considered “Islamic.” Kamali notes that “Although dawlah Islamiyyah has been with us for about a century, it seems to have had a checkered history, as no consensus has yet emerged over the definition and basic requirement of an Islamic state. Somewhat like the caliphate, dawlah Islamiyyah also lacked a textual basis in the Shari’ah, but unlike the former, for which a precedent had existed, dawlah Islamiyyah lacked even that, and controversy over it has persisted even in Iran and Pakistan (and more recently Afghanistan) which have formally embraced the idea. The history of state and government in Islam has known a variety of nomenclatures, including caliphate, imamate, sultanate and emirate, which, however, did not include dawlah Islamiyyah. Was this an accidental exclusion, or indicative perhaps of an understanding that religion and state, although related entities and concepts, were not necessarily an extension of one another?” Hashim Kamali, Shari’ā Law: An Introduction, 242.

31 See Hallaq’s argument in The Impossible State.

32 Despite his defense for a secular state, he does have certain reservations on secularism: “Secularism does not mean the exclusion of religion from the public life of a society, though the misconception that it does is one of the reasons many Muslims tend to be hostile to the concept” (page 36). Further, “It is true that secularism is not morally neutral, as it must encourage a certain civic ethos to achieve its own objective of separation of religion and state” (page 37). “Secularism, defined to mean only the separation of religion and state, is therefore incapable of meeting the collective requirements of public policy. Moreover, such separation by itself cannot provide sufficient guidance for individual citizens in making important personal choices in their private lives or public political participation. In addition, secularism as simply the separation of religion and state is not sufficient for addressing any objections or reservations believers may have about specific constitutional norms and human rights standards” (page 38). “The principle of secularism, as I am defining it here, includes a public role for religion in influencing public policy and legislation, subject to the requirement of civic reason,” (page 38). In one of his key statements in which he conceives an already pre-enclosed notion of secularism, al-Na’im proposes a subservient and subjunctive role of religion-based civic reasoning in relation to the state. However, in defense of religion-based reasoning, the secular state can be neither Christian nor Muslim, and by the same token it ought to be neither Marxist, nor utilitarian, for instance. For a critique of pervasive understanding of secularism and the secular project see Saba Mahmood, Religious Difference in a Secular Age: A Minority Report (Princeton: Princeton University Press, 2015); Saba Mahmood, “Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation,” Public Culture, 18:2 (2006): 323-347; Charles Taylor, A Secular Age (Cambridge, Massachusetts, and London, England: The Belknap Press of Harvard University Press, 2007).

33 Sami Al-Daghistani, “Semiotics of Islamic Law, Maṣlaḥa, and Islamic Economic Thought,” 400.


35 On the notion of maṣlaḥa in economic thought see below and also Şubhî Rajab Mahmaṣānî, Falsafat al-Tashrî’ fi al-İslām (Beirut: Dār al-İlм li al-Malāyîn, 1961).
did not produce *Sharī'a* legal norms (the law) but private specialists did who were seen part of the larger community. In this view, the

Islamic governance (that which stands parallel to what we call “state” today) rest on moral, legal, political, social, and metaphysical foundations that are dramatically different from those sustaining the modern state. In Islam, it is the Community (Umma) that displaces the nation of modern state. The Community is both abstract and concrete, but in either case it is governed by the same moral rules.\(^\text{36}\)

In addition, mufti or the legal authority was in Islamic premodern societies “as a rule, a private legal specialist who was legally and morally responsible to the society in which he lived, not to the ruler and is interests.”\(^\text{37}\)

2.2. Contemporary Convergences of *Siyāsa* as Politics

The integrationist view maintains that *Sharī’a* and *siyāsa* cannot be separated completely, upholding *maṣlaḥa* and *maqāsid* of *Sharī’a* through policy measures. Since *maṣlaḥa* and *maqāsid* are not confined only to temporal affairs, it follows that *siyāsa shar‘iyya* also extends to both temporal and religious matters. As we have seen, *siyāsa shar‘iyya* was regularly in premodern times equated with the laws and associated with religious norms and values. Once it became delinked from criminal laws – after the 1900s – it was disassociated with penalties, and began playing a stronger role in public administration and the economic realm.\(^\text{38}\) This prompted the idea of applying the concept of *siyāsa* in the political domain in general, while often being analyzed together with *maṣlaḥa*. “In this process *Sharī’a* came to be distinguished from *fiqh*, jurist law, to be defined in more abstract and universal terms.”\(^\text{39}\) The modern nation-states substituted *Sharī’a* law with European-inspired penal codes and laws, and “replaced the personal concept of governance, and bestowed upon the institution of state complete sovereignty as embodiment of the nation.”\(^\text{40}\) This led to questions concerning the legality and authority of governance.\(^\text{41}\) Muslim

---

\(^{36}\) Wael Hallaq, *The Impossible State*, 49.


\(^{38}\) Muhammad Khalid Masud, “The Doctrine of Siyāsa in Islamic Law,” 20.


\(^{40}\) Muhammad Khalid Masud, “The Doctrine of Siyāsa in Islamic Law,” 22.

\(^{41}\) In the premodern period the legality of the ruler was based on the notion of *maṣlaḥa* as public good, whilst in the modern period the legality of the rule is conducted through the state and law-induced entity. “The victory of the nation-state was not only one of displacing Islamic law, but also one which entailed the “reordering” of Muslim social structures. The Muslim believer had to be converted into the ‘good national citizen.’ The rest is legal history.
revivalists also addressed the relation between siyāsa and Sharī‘a, and at the turn of the century, they became interested in the political leadership of the colonial states.

Whereas in the 1880s, the term “shari’a” tended to refer to an Islamic way of life, rather than positive law or the work of legislation, by the last years of the nineteenth century the focus had shifted to explicit criticism of the encroachment of European law within the Egyptian legal system. By the 1930s, shari’a had become symbolically central to the political platforms of Muslim reformists, anticolonialists, and many Muslims within the state structure, in Egypt, India, and the Malay States. With the establishment of the nation-state in the postindependence period, shari’a had become transformed – siyasa shar‘iyya, as state shari’a politics – as codified law in a limited but symbolically central domain.42

Sharī‘a is flexible when it comes to governmental policy, taxation, and economic activities. Since it provides only guidelines it depends on scholar’s discretion in exercising ijtihad,43 in addition to the fact that the concepts of state and law had to be developed by the Muslim community.44 The rationale behind the Islamic economic system for many contemporary scholars is the value of the scriptural sources and modern economic theories. Yet, as no human endeavour is value-free, this implies that economic reality, if not thoroughly examined, can appear as ideologically constructed, leading us to the concept of the Muslim nation-state.

Modern European nation-state is grounded in the idea of secularism as a separation of church from state, in the political philosophy of liberalism, and in legal monism.45 The latter

---

45 “… modern secularism emerged in the seventeenth century as a political solution intended to end the European Wars of Religion by establishing a lowest common denominator among the doctrines of conflicting Christian sects and by defining a political ethic altogether independent of religious doctrines… In this narrative, both the ethics of religious tolerance and freedom of conscience are considered to be goods internal to the doctrinal separation that secularism institutes between operations of the state and church, between politics and religion. The assumption is that the state, by virtue of its declared neutrality toward specific religious truth claims, makes religious goals indifferent to the exercise of politics and, in doing so, ensures that religion is practiced without coercion, out of individual choice and personal assent… In somuch as liberalism is about the regulation of individual and collective liberties, it is the principle of freedom of conscience that makes secularism central to liberal political philosophy in this account.” Saba Mahmood, “Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation,” *Public Culture*, Vol. 18, No. 2 (2006): 324; see also Charles Taylor, “Modes of Secularism,” in *Secularism and Its*
perceives law as a product of coercive powers of the state. Therefore, a modern Islamic nation-state is a contradiction in terms. Precolonial, that is premodern Islamic legal tradition, nurtured legal pluralism, allocating both “state-like” and non-state laws that worked interdependently, including *siyāsa* and *fiqh* translated as *Sharī’ā* rules. Traditionally, *siyāsa* was enacted to both further and improve social relations in light of the notion of the public good – this included questions crucial to the modern understanding of economics, taxes, market inspection, and other mechanisms, whereby rulers through *mażālim* courts adjudicated various disputes. *Siyāsa* and *fiqh*, or the collective enterprise of *Sharī’ā*, aimed to protect members of society from rulers’ misconduct, coercing rulers to act in accordance with the structure of the moral law. The Islamic economists believed it was necessary to discredit the market mechanism, if not totally discard it. This created vacuum needed to be filled by either an overwhelming reliance on government, or by an Islamic economic agent, who is supposed to be “perfectly imbued” with the values of Islam. However, the modern Islamic states, which includes Indonesia, Pakistan, Iran, and others, rarely implement the historic separation of *siyāsa* and *fiqh*, and of *Sharī’ā* and the state. For many Islamic economists, “in their zeal to advance this hypothesis – of an all-pervading state – as a fundamental ingredient of an Islamic economy, some of the writers do not even feel it necessary to draw a distinction between the state and economy. For them, an Islamic economy is simply an extension of the Islamic state.” Establishing economic and financial systems on the conditions of a nation-state, presupposes an approach against which initially Muslim scholars contested in their writings.

In relation to state policy, political economy, as the study of state-economy relations, is in the case of contemporary Islamic economics practically nonexistent. This says a great deal about the stalemate facing Muslim scholars and countries with the functioning of their economic theories and policies, respectively. State power, international relations, and global economic paradigms of neoliberal capitalism continue to carry profound consequences for the restructuring of economic development in Muslim countries. Pakistan, Iran, Saudi Arabia, and other Muslim majority countries, are directly involved in the process of acquisition of capital through business enterprises and corporations, which are not regulated by Islamic economic predicaments.

---

Sharī’a begins with the self-realization and self-determination on the path to achieve higher ends. As such, it expounds and overcomes the egoistic self and prompts the devout good that corresponds with the inner strivings of man. Sharī’a therefore extends beyond the legal limits of economic contracts, and concentrates around the behaviour of the philosophy of man. Understanding Sharī’a as a moral method in establishing human spiritual advances, humankind’s well-being, and his social life. However, this cannot take place through modernity’s encroachment of the state, since “by its nature and purpose, Sharī’a can only be freely observed by believers; its principles lose their religious authority and value when enforced by the state. From this fundamental religious perspective, the state must not be allowed to claim the authority of implementing Sharī’a as such.”

Fiqh rules cannot address all economic issues, and even if Islamic jurisprudence regulates the practices of Muslims in how they perform their economic conduct, it ought to allow for the re-evaluation of theoretical ideas and ethical patterns provided by the generation of early and medieval Muslim scholars to be implemented in the process. Hence it is not enough for jurisprudence to seek Qur’anic judgements and solutions to new problems, it must also seek to understand the deepest foundations of these judgements and solutions. This perpendicular search is as much of the jurist’s task as the horizontal search. The Muslim jurist has a duty to do what is in his utmost human capacity to ‘make the Qur’an speak’ on an ever-wider level, and an ever-deeper level. This duty can be fulfilled through the use of unitary interpretation.

3. Critiquing the Discipline of Islamic Economics

49 Mouhanad Khorchide, Scharia – der missverstandene Gott, 195-197.
The modernists promoted the call of Islam in light of modernism by accepting European notions of socioeconomic and political development. The making and discovery of Islamic economics occurred through envisioning Islamic society within the parameters of an emerging Islamic state rooted in Western-influenced modernization process. It is therefore not a coincidence that the foremost Muslims economists were found primarily in Pakistan and Malaysia. The making of Islamic economics, however, was found on the epistemological predicaments of positivist sociology and science, for the design of Islamic economics was seemingly based on Islamic identity – that would challenge the materialist philosophy of socialism – which, paradoxically, enhanced the materialist philosophy of capitalism.

Islamic economics as a discipline combined positive and normative economics, but its teachings rarely reflected the economic reality in the Muslim-majority countries, despite the fact that Islamic law was to accommodate various economic instruments such as property rights, and other institutional changes from the 18th century onwards. What is presented as Islamic economics is in essence a set of ethical theories related to modern economic theory, mechanisms and concepts such as production, distribution of wealth, demand and supply, and so forth. It has drawn on abstract models of economic development, disjointed from the real-life societies. Although appearing as an alternative system to the discourse of modernity according to its textual and religious sources (albeit concerning its economic philosophy), it still follows neoclassical, Keynesian economics.

3.1. Amalgamation of Religious and Mainstream Economic Systems

One of the consequences of generating Islamic economics within the confines of economic theories of modernity is the growth of Islamic economic and financial centers in industrialized

---

55 Even though Timur Kuran provides many valid points of critique, he unjustifiably designates Islamic economics as a fundamentalist doctrine, due to its reliance on traditional sources. See Timur Kuran, Islam and Mammon (Princeton: Princeton University Press, 2004), 4-5.
56 By positive economics, I refer to “the forces that regulate the economy. It raises such questions as how the economy works, what factors determine the distribution of wealth, and so on,” whereas normative economics “is suggestive; it explicitly concerns with what ought to be” and integrates also ethical considerations. Waleed Addas, Methodology of Economics: Secular vs. Islamic, 110.
capitalist institutions of the contemporary Muslim world. In theory, anti-Western, anti-capitalist, and anti-materialist Islamic economic philosophy was co-opted by the very narrative it allegedly fought against several decades ago. “Muslim economists eloquently critique greed and consumerism to distinguish between spiritual values and egoistic preferences, but this does not by itself address the distinction between Islamic and neoclassical economic theories.”59 The methodology of contemporary Muslim scholars was not clear, since they defined Islamic economics as a *Sharī‘a* based, *fiqh*-stipulated discipline,60 conceived within social sciences, which was “about a model economy that did not exist in the real world.”61 And “because of a preponderance of *fiqh* (Islamic jurisprudence) contents in them [Islamic economics], the enterprise has been viewed as an internal Islamic affair.”62 Hence, Muslim economists found themselves primarily engaging with an undefined discipline. Coupling Islamic economics with Islamic law did not yield long-term or epistemologically-sound results in that it would meticulously analyse the intellectual history and capacity of classical Muslim scholars of economic teachings in Islamic tradition. The insufficient theoretical frame of Islamic economics is a result of an intellectual trauma of Muslim communities, which was exacerbated by the political domination of the West and its destruction of educational and other institutional centers. In addition, only some data exists attesting to Islamic economic postulates. Muslim economists rarely explained and analyzed the discipline of Islamic economics in relation to the epistemic value and the meaning behind the concept of *Sharī‘a*’s moral outlook. Their methodology is being tedious and presumptuous, for it presupposes the existing structure of conventional economics.

Great expectations were attached to the idea of “Islamic economics” by its exponents at the time the venture was launched some four decades ago. They thought of themselves as embarking on an intellectual endeavor that aimed at nothing short of presenting an entirely new paradigm in the field of economic thought, and they were quite convinced that once the new paradigm established its roots, it would usher in a Kuhnian paradigm shift in the existing discipline of economics. And, regardless of how it might be received in the established circles of economics, it was at any rate supposed to represent an unparalleled development in the Islamic sciences, for hitherto these did not possess a

60 For various definitions, see e.g. Zarqa, Khan, Siddiqi, Naqvi, Chapra.
61 Muhammad Akram Khan, *What is Wrong with Islamic Economics?*, 4.
distinct and well articulated body of economic thought at par with the contemporary Western economic literature.63

Tripp maintains that an empirical claim has been made suggesting the equation of Islamic and capitalist economic system. The issue is that

this terrain was not marked out by any of the individual writers or by a distinctively Islamic tradition. On the contrary, it is defined by the dominant discourse of the discipline of economics as it emerged in Europe. It is against this that the singularity and superiority of the Islamic economy is being asserted. Regardless of possible quantifiable comparisons which may not favour the Islamic alternative, this argumentative strategy runs the danger once again of dissolving the specificity of ‘Islamic economics’.64

Attempting to counter colonial structure and economic discourse, Muslim economists of the 20th century have confined Islamic economics to a legal and ethical terminology and specificity, while, in practice, they have gradually implemented it into a global economic paradigm of lucrative market-economy through the web of Islamic finances and banking. Analyzing Islamic economic system according to the same criteria, like any other secular economic system, raises the question of how is it possible to diverge its role as a functioning economic system from its role as the reinforcer of a distinctively Islamic ethos.65 The vision of a just and effective alternative to capitalism, whether presented as secular or Islamic socialism, appeared to be wearing thin, both in the Islamic world and beyond, throwing into doubt many of the assumptions upon which an alternative global economic order had been based.

For many Muslim intellectuals, this became an imaginative device to develop an alternative order, founded on Islamic principles, which would depend neither on the state nor on exhortations to social solidarity of the kind that had been pressed into the service of the socialism of the secular left.” On the contrary, Islamic economics engaged directly with the key issue of the moral economy – treating it not simply as an ethical enterprise, but also as an economic one. The ambitious task was the construction of the model of an

63 Rauf A. Azhar, Economics of an Islamic Economy, 1.
64 Charles Tripp, Islam and Moral Economy, 116.
economic order based on distinctively Islamic principles, which would also be successful materially, competing with the apparently all-devouring ethos and apparatus of capitalist enterprise in the twentieth century.66 The concern of Islamic economics as being encumbered with the growth of mainstream economic narrative67 across the Middle East (and South Asia) is accompanied by the political developments in the region. The imitation of the so-called Western industrialized societies and the economic and scientific criteria appear to be a structural pattern. What is missing is spiritual-moral restructuring of society, since economic ideas and structures do not flourish independently from social, cultural, and broader historical structures in which they are embedded. This portrays an understanding of a distinctively economic development that is influenced by the discourse of mainstream economics and by the historical trajectory of the industrialized countries.68 By the 1990s, this had developed into the justification of an Islamic economic theories that were unmistakably neoliberal in their underlying rationale69 – this includes the functioning of Islamic financial centers, and in the argument that free competition and the prohibition of monopoly are central to any truly Islamic economy. Religious scholars and Muslim economists, inspite of their differences, sought the opportunity to create a distinct field of knowledge and economic domain, while engaging with the already established discourse of secular economics. The very concepts and methods utilized by Muslim economists were, apart from the Islamic terminology and religious sources, incorporated into the existing scheme of economics that emerged – as did the modern nation-state – as a particularly European experience.

For Timur Kuran, what indeed distinguishes Islamic economics from mainstream economic systems is severalfold perspective based upon prohibition of interest, zakāt as a redistribution system, and Islamic moral values based on the sources of Islam.70 Yet, for Kuran Islamic economy was established on shaky grounds as to “defend Islamic civilization against foreign cultural influences”71 and not necessarily to provide social benefit for society as a whole, or to tackle economic injustices.72 Either Islamic financial institutions became the institutions of

---

71 Timur Kuran, “Islamic Economics and the Islamic subeconomy,” 156.
national economies, such as the banking system of Iran and Pakistan, or they developed as private financial and banking institutions in the 1970s.⁷³ Al-Ṣadr’s book on Islamic banking proposed the idea that the foundation of Islamic economics is the individual Muslim, as a moral and an economic agent,⁷⁴ with which the interest-free banking assisted in creating an image of an Islamic agent or personality. Since the understanding of Islamic economics as an alternative economic system was about a moral struggle, hence the individual of an idealized Islamic ethical order becomes a focus of the economy. The (theoretical) rejection of capitalism became for some Muslim scholars a rejection of market economy because capitalism was equated with market system.⁷⁵ Conventionally economics has not thought to explicate distinction between capitalism and market economy, as Islamic economists discredited the market economy and filled the vacuum with state government intervention to achieve the Islamic economic agent (homo islamicus).⁷⁶ However, the so-called Islamic economic agent of homo islamicus became an ideal construct that would affirm the application of distinct characteristics of Islamic economy within a given social order of a nation-state. The Islamic personality, however, cannot be attained within the web of economic parameters that are factually neoclassical.

It is a projection onto the abstracted individual of the qualities of that order, its values and its characteristics… In fact, the notion of the ‘Islamic personality’ is an ideal construct, an argumentative device to allow the reconciling of apparently contrary currents. It was bound to reflect the preoccupations of those concerned about capitalism and socialism.⁷⁷

In actuality, Islamic banks did not pose a threat to commercial finances and capital markets, which is encapsulated in global capitalism, but instead they “have attracted those who felt morally uneasy about conventional, interest-based banking and whose sense of propriety in economic transactions has been better catered for by institutions which avoid interest and invest in activities that are ḥalāl under Islamic law.”⁷⁸ It is in this regard that Islamic finance in banking

---

⁷³ For more on the social significance on Islamic banking and finance, see Timur Kuran, Islam and Mammon, 56-58.
⁷⁵ Muhammad al-Ghazzālī, Al-Islām wa al-Manāḥīj al-Iṣḥāḥīyāh (Cairo: Dar al-Kitāb al-‘Arabī, 1954), 92; Muhammad Bāqir Al-Ṣadr, Iqtiṣādunā, 7. “It was for Islam to remind people of the spiritual aspect of existence, filling the void left by these two materialist philosophies. Such a position was also important as a means of asserting that Islam was of relevance to the situation of contemporary society and was therefore capable of engaging with – and of refuting – the dominant ideologies that so marked the world of the late twentieth century.” Charles Tripp, Islam and Moral Economy, 98-99.
⁷⁶ Rauf A. Azhar, Economics of an Islamic Economy, 7.
⁷⁷ Charles Tripp, Islam and Moral Economy, 122.
has created its own niche and became part of the global economic system, and since there is no conceptual frame and empirical theory of Islamic economics, it remains within the fold of modernist discourse and its epistemological contentions.

### 3.2. Methodological Flaws and Epistemological Inconsistencies

Since the majority of Muslim scholars on Islamic economics invoke methodology based on Islamic religious tenants as well as the secular economic systems, their writings and their methodologies are rarely critically contextualized within the broader disciplines of the social sciences, humanities, and religion. The fact that Muslim intellectuals had to adapt to the existing economic ideas and concepts obliged them to engage with the discipline of economics itself. Those concepts “were closely connected to the changes in European society brought about by the intellectual and industrial revolutions which they were used to explain. Whether critical or not of the values of these processes, economists had developed a language appropriate to the emerging imaginative sphere of the economy.”

Many renowned contemporary Muslim scholars on economics share comparable views on ethically imbued economic philosophy of Islam, yet they hold very different stances on the methodology of an Islamic economic project. The tawḥīd epistemology, supported by Choudhury and others, summons a two-fold concern. Any human activity can be justified to be rooted in the so-called tawḥīdi or Qur’anic epistemology, since Qur’an stands as the ultimate and the most important textual source of Islam. For Choudhury, the Qur’anic epistemology is encapsulated in the Divine Law, and reflected, too, in economic Islam and financial matters concerning issues of inheritance, purchasing commodities, buying and selling. Yet, such an approach does not address the economic philosophy of the subject. Since the “epistemology of Unity” entails all branches of human knowledge based on the Qur’anic premise of a multifaceted and complete worldview, it presupposes an application of an economic model in an ideal and not real-time Islamic society. Thus far, Islamic political economy has been used as a tool to critique the mainstream economic system and not to provide all-embracing, epistemological and theoretical considerations within the Islamic tradition. Some Muslim economists critique the synthesis of modernist epistemology and Islamic thought, and argue that the authentic Qur’anic epistemology has been

---

neglected. However, rooting Islamic economic project solely on the *tawḥīd* argument is circular. Further, the mathematization of economic theories is flawed not only in social sciences, but also in Islamic economics since it does not reflect the social and cultural aspects and practices in those societies. Islamic economics contain many theoretical, philosophical, and epistemological concerns that cannot be addressed with mathematical models, since mathematization presupposes a highly skilled language that is accessible only to certain segment of scholars, predominantly those in the natural sciences. This would further set apart mathematical data from epistemological and theoretical analysis.

Even though the discipline of Islamic economics has been approached from an Islamic viewpoint, embedded in ontological and epistemological prepositions, there is an influx of various concepts and ideas that contribute to the confusion in the field. Despite the fact that markets in the Muslim lands were historically organized uniformly to achieve economic efficiency, control of goods, their quantity and quality, Islamic economy is not a free market economy, since markets were structured to accommodate the enforcement of legal percepts with underlying ethical postulates.

For Volker Nienhaus, however, the methodology of Islamic economics is comparable to social market economy, which rests upon the following points. Man only has the right to utilize worldly possessions; wealth can be acquired only through licit means of work and inheritance, for which prescriptions exist; poor and needy are taken care of through the institution of *zakāt* which corresponds to the social welfare. Islamic economics imply that certain institutions that could increase economic development in the Middle East, yet those institutions and mechanisms (e.g. capital markets, labour laws, etc.) did not exist or were ineffective, since their structure was adjusted to the policy reform of the International Monetary Fund. Part of this failure lies in the

---

82 According to Choudhury, the Qur’anic epistemology differs from the pursuits made by Muslim scholars since the latter referred in their works on Hellenic philosophy, Persian, and even Indian thought, whereas the former is premised upon the ethical rules (*aḥkām*) from the Qur’anic text itself, incorporating the faculty of reason in the Revelation. Nonetheless, reading the Qur’anic text and its epistemology separately from scholarly consideration, their contributions, and the development of historical intellectual movements, would mean reading this epistemology in a vacuum separated from the social reality in Muslim countries. Alam Choudhury, “A Critique of Modernist Synthesis in Islamic Thought,” 476.


87 *Zakāt* is in theory “a compulsory levy of 2.5 % on assets and 5 % or 10 % on agricultural produce…” Volker Nienhaus, *Islamic Economic System – A Threat to Development?*, 2.

fact that the Ottoman Empire that reigned throughout the Middle East did not establish sufficient institutions that would accommodate social and economic prosperity, in addition to the fact that zakāt was never structurally implemented within an economic system.89 Nienhaus states that the so-called rigidity of Islamic law did not prevent the blossoming of economy in Islam, whereas Timur Kuran aims to prove the opposite.90

Another factor, which is vital in Islamic economic thinking, is ribā, which has been contested by the critics of Islamic economics. The economic and legal setup is supportive of implementing the prohibition of ribā or excessive usury of a loan. Ribā is rendered illicit only for loan (financial) transactions, and not for trade or good transactions resulting in profit. Since trade has always been deeply rooted in Islamic tradition, it required financial structure, therefore also Muslim legal specialists. Yet, the skepticism remains whether legal justification of the Islamic economics and finances addresses societal needs and aspirations, since there is no existing Islamic economy in the Middle East.91

3.3. The Erroneous Coupling of Islamic Economics with the Social Sciences

Coupling religious worldview with Western social sciences is one of the most fundamental problems of the discipline of Islamic economics. Since the social sciences perceive religion as an intellectually regressive endeavour, Muslim economists have tried to prove the scientific component of Islamic economics by adapting to Western theories of scientific knowledge,

---

89 Compare this with Timur Kuran’s claim that Islamic culture failed to produce an institution of cooperation due to the rigidity of Islamic law. Such an approach raises numerous concerns, for the gist of Islamic law was moral essence, based on theological structures. As such, primary concern of Islamic law was not an early form of capital-oriented engagement, but rather the moral fundamentals of human conduct. For the later see Wael Hallaq’s critique of Kuran as a flawed analytical project in Hallaq, *The Impossible State*, 212, reference 69. Timur Kuran, *The Long Divergence – How Islamic Law held back the Middle East* (Princeton: Princeton University Press, 2010). For a similar argument see also Volker Nienhaus, “Der Beitrag des Islam zur ethnischen Fundierung einer Wirtschaftsordnung,” in *Wirtschaft und Fundamentalismus*, ed. Gerhard Schich (Berlin: Stiftung Marktwirtschaft, 2003).
80 For Nienhaus there are other more pertinent reasons such as tax farming that was obtain by the Ottoman rulers, which “undermined private property and made it irrational to build-up immobile real assets. Volker Nienhaus, *Islamic Economic System – A Threat to Development*, 3.
including the very term “economics.”\textsuperscript{92} This, however, was not done without impacting the epistemic value and the ontological status of the discipline of Islamic economics, since both approaches – of coupling Islamic economics with mainstream economic ideas and concepts, and resorting to innovative approach of establishing Islamic economics as a separate domain – share a systemic drawback of splitting the moral norms (\textit{the moral}) of economic thought in Islam from the legal value (\textit{the legal}). This split has been the result of theories that emerged as a response and opposition to the colonization and westernization processes. Muslim revivalists and scholars aimed to generate an ideal economic worldview, while simultaneously following political liberalism. Building an Islamic economic doctrine upon the division of knowledge and disciplines that is prevalent in the West and the European experience of nation-state formations, such theories – while claiming Islamic character – stripped away the possibility of profound analysis and critique of the subject. Contemporary Islamic economics “was epistemologically related through positivist sociology – brought with it many of the assumptions and imaginative reconstructions of individual and society, and of their relation to the material world, which underpin the ethos of the capitalist imaginary.”\textsuperscript{93}

Discursively, economics generated a distinct social and scientific universe, which draws upon economic agents to act in accordance with its principles and rational character, such as accumulation of material goods.\textsuperscript{94} Economic ideas, behavior, and institutions are hence socially constructed, which might explain why Muslim economists devised a hybrid field.

There was nothing natural about laissez-faire; free markets could never have come into being merely by allowing things to take their course… laissez-faire itself was enforced by the state. The thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy able to fulfil the tasks set by the adherents of liberalism. To the typical utilitarian, economic liberalism was a social project which should be put into effect for the greatest happiness of the greatest number; laissez-faire was not a method to achieve a thing, it was the thing to be achieved… Benthamite liberalism meant the replacing of parliamentary action by action through

\textsuperscript{92} For more see Mohsin S. Khan and Abbas Mirakhor, “The Framework and Practice of Islamic Banking,” \textit{Finance and Development}, Vol. 23, No. 3 (1986): 32 ff; for an analytically faulty claim that the guidelines of Islamic economics are incompatible with modern time, see Rainer Hermann, “Islamisches Recht und Seine wirtschaftspolitischen Implikationen,” in \textit{Wirtschaft und Fundamentalismus}, ed. Gerhard Schich (Berlin: Stiftung Marktwirtschaft, 2003), 75-83.

\textsuperscript{93} Charles Tripp, \textit{Islam and Moral Economy}, 104.

\textsuperscript{94} Karl Polanyi, \textit{The Great Transformation} (Boston: Beacon Press, 2001), 257-258.
administrative organs... While laissez-faire economy was the product of deliberate State action, subsequent restrictions on laissez-faire started in a spontaneous way. Laissez-faire was planned; planning was not.\textsuperscript{95}

Conventional economics as a social science draws upon human nature and social imaginary, deriving its epistemology and ontology that are associated with a particular economic system, industrialization, and free market economy. Mainstream economic system, in spite of multiple economic theories, created its own set of criteria and understanding of human nature, according to which it expressed a particular system of value as it emerged in Europe. Perceiving Islamic economics as economic science with Islamic terminological apparatus is indicative of thinking within the set of the existing disciplines, for the concepts and economic principles are already predefined. Even though this disciplinary hybridity was devised to be in theory independent from the neoclassical economic paradigm, it has proven the opposite, due to the absence of the ideal Islamic personality and unique economic model in real-time societies. Furthermore, the positivist logic of economics and the discipline of sociology shaped and transformed Muslim economists’ views on social sciences and society to the degree of meshing Islam’s core ethical values and \textit{Sharī’a} norms with the prevalent social structure.

For Muhammad Akram Khan, who clearly sought to revitalize economic thought in Islamic tradition,\textsuperscript{96} Islamic economics is a mainstream economics, embellished with Qur’anic and \textit{ḥadīth} terminology.\textsuperscript{97} In this sense, Islamic economics is a “type of capitalism with a spiritual dimension,”\textsuperscript{98} which positions the institution of \textit{ribā} in its core.\textsuperscript{99} Khan contends that religious scholars from the 19\textsuperscript{th} and early 20\textsuperscript{th} centuries have addressed economic teachings in Islam within the scope of theological discourse. Since this failed to establish a solid theoretical ground for the emerging discipline of Islamic economics, he proposes studying the subject matter within the field of social sciences\textsuperscript{100} and thus annexing it to the mainstream economic narrative. For him,

\textsuperscript{95} Karl Polanyi, \textit{The Great Transformation}, 145-147.

\textsuperscript{96} “I have been actively involved in thinking about, writing about and advocating Islamic economics as a distinct branch of knowledge for over four decades. However, over the last decade, my thinking had gradually moved away from mainstream thinking on the subject.” Muhammad Akram Khan, \textit{What is Wrong with Islamic Economics?}, xiv.

\textsuperscript{97} Muhammad Akram Khan, \textit{What is Wrong with Islamic Economics?}, xiv.

\textsuperscript{98} Muhammad Akram Khan, \textit{What is Wrong with Islamic Economics?}, xv.

\textsuperscript{99} There is a consensus among Muslims on the prohibition on \textit{ribā}, yet there is no definite definition and description on what exactly does this prohibition entail, and on this prohibition the modern institutions of Islamic finance is based. This leads Khan further to disprove that all forms of interest are not \textit{ribā}, even though the Islamic financial institutions have rendered them illicit, despite the fact that various forms of interest, such as double-payment, profit gains and others can be found in Islamic finances. On the concept of \textit{ribā} and its historical and legal perspectives see Rauf Azhar, \textit{Economy of Islamic Economics} (Leiden: Brill, 2010).

\textsuperscript{100} Muhammad A. Khan, \textit{What is wrong with Islamic Economics?}, xiii, 27 ff.
one of the main obstacles is a subject’s theological reference and the lack of social scientific component. If Islamic economic teachings remain predominantly attached to its theological base, it cannot be formulated, verified, or delineated, sufficiently. The early religious scholars and proponents of the Islamization process have tried to develop Islamic economics based on theological worldview of Islam, discussing inheritance law, zakāt and conventional economics, yet the scope and the subject matter were neither clear nor theoretically sound.

Although Khan acknowledges the insufficiency of the contemporary Islamic economic project, he blames the theological framework for it, and not the legal coordinates and the dominant discourse of modernity in which the discipline of Islamic economics emerged. His method of positioning Islamic economics solely within the parameters of social sciences remains highly problematic, since it refuses to take into account epistemological, historic, theological, moral, and mystical entanglements of economic teachings in Islamic tradition that deploy a different hermeneutical field from mainstream social sciences and from the Islamization process.

4. The Islamization of Economics

4.1. Islamizing Knowledge

The process of secularism compelled many Muslim scholars to grapple with the Western notion of knowledge and the division of disciplines, in general, and the social sciences, in particular. In the 1970s Muslim scholars witnessed the materialization of the Islamization of knowledge process, which defined Islamic science according to its Islamic worldview and revealed knowledge paradigms. Analogously, however, Muslim scholars also experienced the process of indigenism or nativism as orientalism in reverse. Some of the traits of nativism are the repudiation of Western social sciences, the superficial critique of Western theories, and a lack of

---


attention to the classical Islamic intellectual tradition. This modernity-confined discourse of Western knowledge and sciences had a profound impact on the structural and imaginable nature of Islamic sciences in general, and Islamic economics in particular.

For Thomas Bauer, the Islamization of Islam is constructed around the following components. “Islamic” as distinct fields of human endeavours (e.g. Islamic art, Islamic medicine, Islamic economics, etc.) suggests a religious identity, whereas nonreligious discourses are consequently being labeled as unimportant. In case of multiple discourses, one is appropriated that corresponds the most to the widespread perception of religion in the West, and the religious discourse is given precedence over a non-religious one. In case of multiple discourses, the one that will be accepted as the orthodox norm relating to the essence of Islam, is the one that corresponds the most to the Western standards of “conservativism.” Such mechanic process repudiates the culture of ambiguity of Islamic tradition and sets the norm for a monolithic religion of Islam, which appears to Western culture as something alien and even contradictory. These political, economic, and cultural ramifications of European colonialism of the 19th century paved the road to a selective public image of Islam. Consequently, Islamist movements resorted to Hanbali tradition, who – like their Western liberal counterparts – negated the multiple multifaceted traditions of Islam.

Moreover, the fact that Islamization of Islam (and Islamic economic) is a relatively modern phenomenon is indicative of the level of the usage of certain terminology and concepts. Terms like *nizām* (system) and *manhaj* (method) incorporate a Cartesian worldview which was unknown to classical Islam. The classical Islamic sciences offered a plural approach to the study of Islam, wherein theology, Islamic law, and *taṣawwuf* gave different answers to sometimes similar questions, whereas modern Islamic interpretation forms various fields of knowledge with the same method and principles. Additionally, the Islamization process makes the epistemology of Islam scientific, and in turn, Islamizes the science by utilizing western concepts and placing them in an Islamic milieu, while seeking to theorize the problematic components by merging Islamic and western thought.

The Islamization of knowledge has accommodated the teachings of *Sharī‘a* on a variety of topics, however, rather than contributing to the theory of knowledge, the Islamization of

---

104 Thomas Bauer, *Die Kultur der Ambiguität*, 222-223.
105 Armando Salvatore, *Islam and the Political Discourse of Modernity*, 87.
disciplines has generated a paradigmatic disjunction between faith and knowledge in Islam.\textsuperscript{108} Both al-Faruqi and al-Attas refer to the modern worldview within which contemporary knowledge is interpreted.\textsuperscript{109} While they consider tawḥīd as the basic principle of Islam, al-Attas espouses metaphysical Islam as a synthesis of classical Islamic theologians, philosophers, and Sufis,\textsuperscript{110} deriving its sources from the revelation and intellectual history. For him, knowledge is never pure, but presents an intricate relation between the revealed knowledge and human reasoning. Al-Attas’s conception of Islamization is a form of liberation from secularism and from the secular control of reason and language,\textsuperscript{111} and focuses on Islamizing the inner self – the individual personality. Taṣawwuf formulates basic predicaments and concepts for all branches of knowledge.\textsuperscript{112}

On the other hand, al-Faruqi’s plan is to Islamize classical and modern disciplines, by producing educational curricula based on Islamization methodology. Similar to other Muslim revivalists of the early 20\textsuperscript{th} century who berate taṣawwuf, al-Faruqi emphasizes the socioeconomic values and processes of Islamization that were later extended to the field of Islamic economics. Al-Faruqi’s Islamization of knowledge appears more mechanical and associated with positivist approach, whereas al-Attas’s method is rooted in Sufism and deals primarily with Islamizing ideas and concepts.

The critics of Islamization of knowledge have also voiced their concerns. Fazlur Rahman states that one has to critically analyze the worldview of classical Islam and not simply apply the Islamization process to modern sciences.\textsuperscript{113} ‘Īlm as knowledge is in itself good, yet it is man’s (mis)appropriation of knowledge that can be irresponsible. Pertinent to such approach is the integration of Islamic and modern disciplines of knowledge. Moreover, Ziauddin Sardar is one of the main critics of the Islamization process, for whom al-Faruqi’s conception of the Unity of Truth and Unity of ‘Īlm is inconsistent and without any substance. Al-Faruqi’s Islamization plan is directed mainly at the social sciences, which present an epistemological issue, for it is impossible to Islamize modern sciences since they are rooted in the Western epistemological

\textsuperscript{109} “It seems to me important to emphasize that knowledge is not neutral, and can indeed he infused with a nature and content which masquerades as knowledge. Yet it is in fact, taken as a whole, not true knowledge, but its interpretation through the prism, as it were, the worldview, the intellectual ‘vision and psychological perception of the civilization that now plays the key role in is formulation and dissemination.” Muhammad Naquib Al-Attas, \textit{Islam and Secularism}, 133-134.
\textsuperscript{111} Al-Attas, \textit{Islam and Secularism}, 42.
\textsuperscript{112} Al-Attas, \textit{Islam and Secularism}, 121-123.
paradigm,\textsuperscript{114} which pertains to particular theories, concepts, perceptions, and practice. Hence, it is impossible to merge two very different epistemological systems, since each has produced a specific worldview and set of requirements.

The proponents of Islamization of knowledge should not uncritically accept the modern divisions of disciplines \textit{per se}, and instead focus on the fundamental norms of what constitutes the theory of knowledge in Islam. Even if modern knowledge is relevant for the Islamic perception of knowledge and sciences, it must be made relevant through understanding of Islam’s own conceptual framework. Sardar argues that science has been westernized, is not neutral,\textsuperscript{115} and is subsequently bound to a cultural milieu. Since traditional knowledge was perceived to be derived from the theological sources, the Islamization process as understood in the 20\textsuperscript{th} century by al-Faruqi and al-Attas was not necessary. For Sardar, divorcing the moral from the epistemological in Western culture generated a body of knowledge that was foreign to the Islamic understanding of key concerns of manifestations (and not concepts) such as trusteeship, social justice, sacredness of nature, public well-being, etc.\textsuperscript{116} Instead, Muslim economists were too busy applying Western economic techniques and methods to Islamic economics.\textsuperscript{117} Instead of Islamizing disciplines, Muslim scholars can Islamize the philosophy of those disciplines employing an Islamic outlook and the spirit of revelation.\textsuperscript{118} Even if Islamization of knowledge commences with \textit{Sharī’a}, it does not end with it, for it should not only be concerned with implementing a religious worldview and critiquing science, but rather with restructuring and informing an Islamic perspect on (social) sciences.

4.2. Islamizing Economics

Modern Islamic economic thought reinforced itself against the backdrop of Islamization of knowledge, which despite its discontent with and opposition to the Western colonial project and its economic, political, and cultural implications, materialized within the pre-established order of the nation-state alongside its epistemological significances. In the 20\textsuperscript{th} century, the Islamists’ envisioning of an Islamic state and society included Islamizing economies, which served as a


\textsuperscript{115} Also Nasr maintains that knowledge has become desacralized. Seyyed Hossein Nasr, \textit{Knowledge and the Sacred} (New York: State University of New York Press, 1989), 10.


\textsuperscript{117} Sardar, \textit{Islamic Futures}, 1985.

mechanism for asserting religious ideas into state politics.\textsuperscript{119} The development of Islamic economics as a distinct science occurred more in name than in substance, since the neorevivalists embarked upon the Islamic version of knowledge and economics as its sub-paradigm. By delineating a field of knowledge known in the West as economics, Muslim scholars and economists were compelled to attune and harmonize the criteria and conventionalities of that very field, despite their Islamic standpoint. “The imaginative sphere of knowledge, concepts, and the scientific language of Muslim economists largely defiled their very project of an alternative economic system”\textsuperscript{120} that was preserved within a modernist discourse.

Contemporary Islamic thinking on economics has been devoid of epistemic value. The contemporary Muslim reaction to economic problems in the 20\textsuperscript{th} century have sprouted out of Islamization and Islamic financial and banking institutions, which have not developed a coherent program to rethinking the nature of the subject and the role of its main components such as money, progress, well-being, moral and social consciousness. Their offering of an exclusively theological outline of Islamic political economy has assumed a tautological and self-fulfilling narrative of economic doctrine. Furthermore, Islamizing the economy indicates that it is Islam (or Islamic ethics) rather than the government, which is responsible for the social equilibrium and economic performance of the economy.\textsuperscript{121} Consequently, the religious worldview of Islamic economics was explicit, primarily in the creation of interest-free banking and financial institutions.\textsuperscript{122} The rise of Islamic financial institutions, which reiterates interest-free banking, has compensated for the absence of a coherent philosophy of Islamic economic thought, since it appears to be inoperable, despite its intellectual potential.

5. Concluding Remarks

Given the lack of knowledge and the discursive formation of Islamic tradition by Muslim economists, Islamic economics will remain ill-equipped to deal not only with the language of

\textsuperscript{120} On the pro-market economy, despite his critique of capitalism, see Rauf Azhar, \textit{Economics of an Islamic Economy} (Leiden: Brill, 2006).
but also with the intricate historical, social, and cultural patterns of premodern Muslim societies. Such an approach to the field of economy has excluded the practice of economics, and has led to a certain dogmatism of the subject. The case of Islamic economics and its ethical considerations indicates that it does differ from conventional economics, yet the current economic theories do not necessarily presume to be “genuine” economic theories in Islam with their own legal methodology based on fiqh. In such a case, the distinction between homo islamicus or homo economicus would be equal to none.

Islamic culture did not withstand the onslaught of modernity and its colonial restructuring through the militaristic but also bureaucratic-administrative, legal, political, and economic wars. Muslim countries have undergone some restructuring of their legal systems and have had to replace the institution of Shari’a with European laws. As a response, civil society and legal specialists called for a reintegration of Islamic law: “Calls to return to the application of Islamic law emerged into prominence during the 1970s…” Many governments responded to this goal, and various fields have been revitalized by the Islamic legal system, including commercial laws.

Yet without the re-examination of historic analysis of economic thinking in Islamic tradition, the modern project of Islamic economics (and finances) is doomed to only one feature – its own distinctive narrative. This perpetuates the skepticism of contemporary Islamic economic project, since it is ontologically based on the conditions of the modern state. Reconstructing the Islamic economic (and legal) paradigm within the nation-state has to be addressed in relation to the moral metamorphosis. As such, the contemporary Islamic economic project is deprived of both the methodological consideration and the moral context, and is either inauthentic or doomed to fail.

Islamists see Shari’a primarily as a legal and sociopolitical enforcement due to its Divine origin – an approach that can be compared with legal positivism. Neither mimicking mainstream economic system, nor glorifying self-perpetuated image of Islamization will do justice to the subject, since both approaches address the issues at stake only in part.

123 “… the fiqh scholars were equally ill-prepared to deal with the discipline of economics and the working of the modern economy; indeed most of the fiqh scholars have lacked even an elementary knowledge of economics as well as the issues that it deems important. It is thus that those few who could occupy the middle ground—at the confluence of fiqh and economics—were able to set a course of their own liking for a discourse that was to be known as Islamic economics.” Rauf A. Azhar, Economics of an Islamic Economy, 3.
126 For M. K. Masud, the problem lies in secularists and Islamists, since the former try to diminish whereas the latter seek to overemphasize Shari’a’s legal positivism, and “None of them accepts the possibility that the normative basis of shari’a may lie elsewhere.” Muhammad Khalid Masud, Muslim Jurists’ Quest for the Normative Basis of Shari’a, inaugural lecture, Leiden: ISIM, 2001, 5-6.
Contemporary Islamic economic theories did not provide an overall economic system detached from the “centripetal pull of western economic thought.”\textsuperscript{127} Since “the political discourses of modernity have intervened in the construction of Islam,” and “the definitions of Islam have contributed to shape political discourse of modernity, both in the West and in the ‘Arab-Islamic’ world,”\textsuperscript{128} a particular hermeneutic field of political Islam manifested. This hermeneutical field owes its existence in part to the all-embracing discourse of modernity (and the construction of modern disciplines) that claims universal validity and even affects the indigenous interpretations of Islam.

Epistemology, as the study of theory of knowledge, is not confined to one particular realm of investigation, and hence it is not separated or isolated from other realms of knowledge. The 20\textsuperscript{th} century definitions of Islamic economics are embedded in a particular social context and religious ideology, that are, however, concerned with the indigenization of social sciences. For Khan Masud, Islamic social, political and economic history has been essentially explained in religious terms, and “the Muslim intellectual history is thus essentially a sociopolitical history.”\textsuperscript{129} Regardless of whether Islamic economics is defined as science or dogma, as we have seen from the examples within the Islamic intellectual tradition, classical Muslim scholars encouraged moral economic behaviour.\textsuperscript{130} Theories put forward by the major modern theoreticians and scholars on Islamic economics claim the superiority of fiqh and financial character of economic conduct. The authority of Muslim economists have largely disregarded the sociopolitical contestations that contributed to the establishment of economic ideas, and by extension the historical underpinnings by premodern Muslim scholars who addressed economic subjects as part of the all-embracing moral cosmology encapsulated in the worldview of Sharī’a.

At present, many Muslim organizations and networks have turned to the Islamic banking and finance industry in order presumably to restore and further the commercial life of the 21\textsuperscript{st} century, while invoking the institution of Sharī’a. Islamic banking and finance as the most developed subfield within the subject of Islamic economics is closely related to commercial life and contract laws. As such, it is perceived as a subgenre of Islamic law, often coupled with mainstream financial terminologies and operational systems, whose methods present neither historical accuracy of the field, nor the theoretical definition of the subject matter. In Pakistan and

\textsuperscript{128} Armando Salvatore, \textit{Islam and the Political Discourse of Modernity}, xiv, xv, xxi, 23.
\textsuperscript{129} See Muhammad Khalid Masud’s draft “Classical” Islamic Legal Theory as Ideology: Nasr Abu Zayd’s Study of al-Shfi‘i’s Risala, 11.
\textsuperscript{130} For the moral self and the encouragement of economic stipulations, consult the works of al-Shaybānī, al-Muḥāsibī, Ibn Abī al-Dunyā, al-Ghazālī in Chapter Three.
Malaysia, Iran and other countries, the process of Islamization has also penetrated the legal and political realms, yet Islamic banking in general does not impinge upon local and international policies to the degree of changing the economic paradigm. If Islamic banking and finance would seek to apply Islamic religious law (Sharīʿa) to a sector of modern trading and commerce,\textsuperscript{131} which has much stronger precedence than politics or theology, it ought not to preclude only a positivist but also a moral character. The objectives to be pursued should be to “[minimize] cost in production (instead of maximizing profit) and maximizing maṣlaḥa in consumption (instead of maximizing utility).”\textsuperscript{132}

In the final chapter, this thesis turns to the proposition of approaching economic thought in Islamic tradition from a plural and polyvalent epistemology of moral, cosmological hermeneutics.


\textsuperscript{132} Muhammad Fahim Khan, “\textit{Fiqh} Foundations of the Theory of Islamic Economics: A Survey of Selected Contemporary Writings on Economics Relevant Subjects of \textit{Fiqh},” \textit{Theoretical Foundations f Islamic Economics}, ed. Habib Ahmed (Jeddah: The Islamic Development Bank, Islamic Research and Training Institute, 2002), 76.