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# MORALITY OR MONEY? DEMOCRACY AND ISLAMIC ECONOMIC PREDICAMENTS<sup>1</sup>

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## I Introduction and the Research Question

Economic tradition in Islam is as old as the religion itself. The Prophet Muhammad and the early caliphs procured economic endeavours and encouraged healthy market activities relying on the moral predicaments of *Shari'a*. Classical Muslim thinkers also provided seminal contributions to *Shari'a*-stipulated and ethical economic behaviour that was grounded in juridical, philosophical and Sufi-mystical traditions of Islam (e.g. Abū Yūsuf, al-Shaybānī, Ibn Abi al-Dunyā, al-Muḥāsibī, al-Ghazālī). They invoked concepts such as prohibition of hoarding, fair price, equal distribution, demand and supply, division of labour, market inspection, the role of the governmental authority, and other mechanisms and concepts, while justifying their arguments based on the Qur'anic episteme of ethics. In the late 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, with the rise of political Islam, many revivalists (Jamāl al-Dīn al-Afghānī, Muḥammad 'Abduh, Rashīd Riḍā, Ḥasan al-Banna, Syed Quṭb, Muhammad Iqbal) addressed economic and social issues of the time, yet the so-called "economic Islam" or contemporary Islamic economic thought emerged as a distinct field of study only with the religious scholars and Muslim economists (Muhammad Hamidullah, Abu al-'Ala Mawdudi, Ahmed Khurshid, Isma'il al-Faruqi, Nejatullah Siddiqi, Umer Chapra, Anas Zarqa, Choudhury, Muḥammad Baqir al-Ṣadr, and others) in the 20<sup>th</sup> century.<sup>2</sup> Contem-

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<sup>1</sup> This paper is partially based on my research on the genealogy and epistemology of economic ideas in Islamic tradition.

<sup>2</sup> See Muhammad Akram Khan, *What is Wrong with Islamic Economics? Analysing the Present State and Future Agenda* (UK, US: Edward Elgar Publishing), 2013.

porary Islamic economic thought emerged as a distinct field of study in the second half of the 20<sup>th</sup> century, and ever since it has been a newly established platform, theory, and scientific domain encapsulated in the ideological formation of a modern nation state that has nonetheless encompassed religious thought. It gradually gained momentum with the expansion of Islamic finance and banking as a by-product of lucrative financial markets and global capitalism. Not only has classical Islamic scholarship and its epistemological contributions on economic thought not been sufficiently studied by the contemporary Muslims scholars, but its predicaments on social and economic justice have also been largely omitted by contemporary Muslim economists. Moreover, Islamic economics and finances were made fit within the dominant narrative of the global political economy.<sup>3</sup> This indicates that the conceptualization of contemporary Islamic economics and finances does not necessary translate into the ethical postulates of justice, equality, equilibrium and fair distribution in real-life (Muslim) societies. This concern leads to the research question of the paper, namely “What is moral economy in Islam and how do ethical predicaments reflect democratic values of prosperity and wellbeing in a (Muslim) society?” Drawing from the intellectual history in Islam, those values do not necessarily lie in the separation of religion and state as it is known in the West, but are embedded in the notion of a just and welfare-oriented economic reality.

In order to present the subject of Islamic economics, its specifics and its shortcoming, this paper will examine classical Islamic scholarship and analyze the revivalist and contemporary literature on Islamic (political) economy, finances, Islamic law, and ethics. In order to deconstruct and analyze the already existing theories on Islamic economics, this article explores the genealogical and hermeneutical approaches to Islamic economic philosophy. This entails the questions pertaining to the nature of economic ideas in Islamic tradition and the role of Islamic law therein. In the conclusion, I propose a new reading of economic thought in Islamic tradition in relation to socio-political, epistemological, and Sufi-philosophical discourse. The article is divided into

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<sup>3</sup> See e.g. Charles Tripp, *Islam and Moral Economy* (Cambridge: Cambridge University Press, 2006).

eight parts, including Introduction and Conclusion. The second part explores the notion of secularism, democracy and state, and the critical appropriation of those terms for (Muslim) societies. The third part discusses the history of Islamic law and its relation to the phenomenon of the “Islamic state”. The fourth, fifth, and sixth parts analyze the classical, modernist, and contemporary approach to (socio)economic thought in Islamic tradition, respectively, whilst the seventh part provides a critique of the existing structures of Islamic economics thought and Islamic finances. In conclusion, I propose to approach economic theories and economic development in (the Middle East) societies also through human development, founded on the Islamic ethos of justice, equity, and spiritual uplift.

## 2 Secularism, Democracy and the State – Convergences or Contestations?

Often the ideas of democracy and democratic rule are portrayed by providing fundamental human rights and liberties. Democracy is associated with exercising the rule of law, holding a representative and participatory government, separation of powers, and rule of law. Often, human rights and liberties are portrayed to manifest human dignity, which is protected against the coercive power of the state. Yet, analyzing political agency and political power, democratic processes have also emerged in tandem with political reverberations, colonial quests, and economic excursions.<sup>4</sup> Multiple examples exist suggesting that Islam envisages and differentiates between the civilian system of rule and theocracy.<sup>5</sup> In Islamic tradition, this idea goes back to the very first Muslim community in which the head of state was elected by the members of the community through consultation and pledge of allegiance (*bay'ah*). Despite its practical implication and political power, the religious con-

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<sup>4</sup> See Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (London and New York: Verso, 2011).

<sup>5</sup> See e.g. Wael Hallaq, *The Impossible State*, (New York: Columbia University Press, 2013); Abdullahi Ahmed An-Na'im, *Islam and the Secular State: Negotiating the Future of Shari'a* (Harvard University Press, 2008).

stituency of the Islamic governmental authority has always been nominal in managing political and socio-economic affairs in Islamic history.<sup>6</sup>

For Abdolkarim Soroush, a government needs two compulsory components in order to retain itself – a source of legitimization and a normative framework.<sup>7</sup> He holds that secularism “is nothing but the ‘scientification’ and rationalization of social and political thought and deliberation.”<sup>8</sup> The pre-modern ethical system has been replaced by the system of material gains and secular ethics, leading to a certain type of utilitarianism,<sup>9</sup> which explains the nature of man and ethics without the spiritual component. Following this reasoning, the secular design of society appears as a manifestation of this very process.<sup>10</sup> By analyzing the concept of secularism and secularization in the Middle East, Saba Mahmood states that “It has become *de rigueur* for leftists and liberals alike to link the fate of democracy in the Muslim world with the institutionalization of secularism – both as a political doctrine and as a political ethic.”<sup>11</sup> In this perspective, the modern notion of secularism emerged in the seventeenth century as a political solution with an aim to end the religious wars between conflicting Christian sects, which

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<sup>6</sup> For more see Wael Hallaq, *Shari'a: Theory, Practice, Transformations* (New York: Cambridge University Press, 2009), part one.

<sup>7</sup> Abdolkarim Soroush, *Reason, freedom, and democracy in Islam: essential writings of Abdolkarim Soroush*, trans., ed. Mahmoud Sadri, Ahmad Sadri (Oxford: Oxford University Press, 2000), 57.

<sup>8</sup> Abdolkarim Soroush, *Reason, freedom, and democracy in Islam*, 57.

<sup>9</sup> “Bentham, the father of utilitarianism and one of the forerunners of this transformation, made morality into an inner-worldly calculus; Mandeville turned the ethics of everyday life on its head; likewise, Machiavelli reversed the foundations of political ethics. But modern utilitarianism turned this wild beast of accidental and irrational happiness (which was at the core of the old ethics and around which a whole constellation of habits, conventions, expectations, and behavioral patterns had formed) into an obedient, domesticated animal. Ethical axioms were evaluated in terms of their ability to ensure public happiness, pleasure, and welfare.” Abdolkarim Soroush, *Reason, freedom, and democracy in Islam*, 41.

<sup>10</sup> Abdolkarim Soroush, *Reason, freedom, and democracy in Islam*, 68.

<sup>11</sup> Saba Mahmood, “Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation,” *Public Culture*, Vol. 18, No. 2 (2006): 323. Compare this with Vali Reza Nasr’s opposite thesis to promote economic prosperity in the Middle East through neo-liberal ideology in order to counteract extremism across Muslim societies. See Vali Reza Nasr, *The Rise of Islamic Capitalism: Why the New Muslim Middle Class Is the Key to Defeating Extremism* (New York: Free Press, 2009).

in turn defined political ethics independently from religious doctrinal understanding.<sup>12</sup>

Regardless of the given socio-economic reality in the Middle East and (South) Asia, which largely owes its political, economic and legal form to the colonial excursions,<sup>13</sup> according to Abdolkarim Soroush, two kinds of human values exist: the so-called guiding values and serving values.<sup>14</sup> Guiding values such as goodness, justice (and even *maslaha* or public good) transcend time and space and are ahistorical, whereas the serving values according to which man lives on day-to-day basis, are functional and part of man's social life. This precludes cultural, material and industrial progress that alternates the serving values in order to follow socioeconomic development, as dictated by the current global political and economic demands, and does not guarantee a just and equitable economic system. The guiding values that promote moral and spiritual endeavours, applicable also in the domain of economics, in theory, ought to provide for the society's basic needs and healthy economic provisions.

According to Mahmood, secularism as it is known nowadays, does not necessarily translate into the separation of religion and in religious freedom, but rather

in the kind of subjectivity that a secular culture authorizes, the practices it redeems as truly (versus superficially) spiritual, and the particular relationship to history that it prescribes. These aspects of secular culture, now often noted under the section of secularity, are propagated through not only the agency of the state but also a variety of social groups and actors who might even challenge the state's sovereign claim to define the exception. It is suggested that the political solution which is proffered by secularism lies not so much in tolerating difference and diversity but in remaking certain kinds of religious

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<sup>12</sup> "Insomuch as liberalism is about the regulation of individual and collective liberties, it is the principle of freedom of conscience that makes secularism central to liberal political philosophy in this account." Saba Mahmood, "Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation," 324.

<sup>13</sup> See e.g. Iza Hussin, *The Politics of Islamic Law* (Chicago: Chicago University Press, 2016), chapter five; Wael Hallaq, *Shari'a: Theory, Practice, Transformations*, part three.

<sup>14</sup> Abdolkarim Soroush, *Reason, freedom, and democracy in Islam*, 39-40.

subjectivities (even if this requires the use of violence) so as to render them compliant with liberal political rule.<sup>15</sup>

In the secularization of ethics, the current development of global capitalism expounds primarily the serving values, pertaining to individual endeavours and gains. As such, socioeconomic development grounded on a just, socially conscious and moral order, intended to achieve universal liberties of human beings from the shekels of material needs, has to be set as one of the primary aims of democratization, for socially-oriented policy can prevail only when there is no injustice and poverty. The concept of democracy, which is nowadays available only to some, can be in light of this consideration, identified as a manifestation of achieving a certain level of (economic and social) justice in society.<sup>16</sup> Yet, in order to briefly explore the correlation between the notion of democracy, religious freedom, and state in Islam, it is inevitable to look closer at the function of Islamic law and *Shari'a* in how the legal structure has managed that very dynamics.

### 3 *Shari'a* and legal reasoning in Islamic tradition

Islam is often interpreted as one's submission to the will of God by confirming the Divine Unity of existence, and *Shari'a* is by many Muslim scholars perceived as the divine code of conduct. If *fiqh* is a legal and ethical system that measures and foresees relations between men in society, "its notion of legal capacity is based on the concept of the rational actor."<sup>17</sup> In the modern period, however, the perception of

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<sup>15</sup> Saba Mahmood, "Secularism, Hermeneutics, and Empire: The Politics of Islamic Reformation," 328.

<sup>16</sup> "Democracy is desirable for all, but in practice it is not available to all. It requires a certain level of normative, political, and governmental development that is contingent upon economic development. The greatest dictatorship is that of poverty and ignorance... Subtle and spiritual values (such as the love of liberty and of knowledge) are more prevalent in developed societies because human beings are less enslaved by elementary needs. Still, ideology, the instrument of intellectual enslavement that imposes subjective schemes on objective realities, has not lost its hold on such societies." Abdolkarim Soroush, *Reason, freedom, and democracy in Islam*, 45.

<sup>17</sup> Baber Johansen, *The Changing Limits of Contingency in the History of Muslim Law*, third Annual Levtzion Lecture, The Nehemia Levtzion Center for Islamic Studies, The Institute for Asian and African Studies, The Hebrew University of Jerusalem, 2013, 33. The science of applying *Shari'a* or the academic discipline that inquires upon *Shari'a* stipulations was developed

*Shari'a* changed due to the modernization of Muslim countries, the introduction of educational, political and legal reforms, and the adaptation of Western legal norms and codes.<sup>18</sup> *Shari'a* has often been conflated with the law of the Muslim lands called *qanun*. New interpretations of *Shari'a* by Muslim scholars and activists such as Ḥasan al-Banna, Sayyid Quṭb, and Abu l-'Ala Mawdudi<sup>19</sup> called for the integration of *Shari'a* in Muslim countries. Muslim scholars provided a critique of the existing social constraints and precarious conditions by advocating a morally conscious economic behaviour, either by reinvigorating “authentically” Islamic vision of society and economy, or by flirting with socialist ideas.<sup>20</sup> This, however, was interwoven into the concept of the state, which for modern Muslim scholars exhibited a solution wherein their ideas could flourish rather than an ideological apparatus. “It was the state which would both defend society against the depredations of capitalism and lay the foundation for its Islamic reassertion” since “the peoples of the Islamic world and the Middle East had experienced capitalism through the intrusion of the modern state as the vehicle of a capitalist order.”<sup>21</sup> It was the state, which did not facilitate the implementation of social and political revivalism through Qur'anic ethics, but rather incorporated and allowed the power structure that would eventually accommodate the blossoming of capitalism in the upcoming decades.

According to Griffel, many nowadays perceive *Shari'a* as a canonized code of law, similar to Western codes and laws.<sup>22</sup> The ubiquitous-

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in the classical period and is called *fiqh* whereas the methodology of the *Shari'a* sources is called *usūl al-fiqh* or the principles of jurisprudence. See Harald Motzki: *Die Anfänge der islamischen Jurisprudenz: ihre Entwicklung in Mekka bis zur Mitte des 2.18. Jahrhunderts* (Stuttgart: Steiner, 1991); Wael Hallaq, *The Origins and Evolution of Islamic Law* (Cambridge: Cambridge University Press, 2005); Mohammad Hashim Kamali, *Shari'a Law: An Introduction* (Oxford: Oneworld, 2008).

<sup>18</sup> Hussin, *The Politics of Islamic Law*, chapter six.

<sup>19</sup> See e.g. Seyyed Vali Reza Nasr, *Mawdudi and the making of Islamic revivalism* (New York, Oxford: Oxford University Press, 1996).

<sup>20</sup> See e.g. Sayyid Quṭb, *Ma'arakat al-islām wa-l-ra'smaliyah* (Cairo: Dār al-Shurūq, 1993) and *Al-'Adālat al-ijtima'iyah fi al-islām* (Cairo: Dar al-Shuruq, 1977).

<sup>21</sup> Tripp, *Islam and Moral Economy*, 77.

<sup>22</sup> On the modernization of traditional religious learning and its transformed of the Islamic law see Aria Nakissa, “An Epistemic Shift in Islamic Law: Educational Reform at al-Azhar and Dār al-'Ulūm,” *Islamic law and society*, 21 (2014): 209-251. On the modernizing of the Middle East, the role of *Shari'a* therein and islamists' turn see Wael Hallaq, *Introduction to Islamic Law*

us perception of Islamic law as *Shari'a* is ingrained in the continuous, unchallenged and assumptive analysis made by various Western and Muslim scholars who dichotomized law from morality. This approach differentiates between the law, which is procured by the law-making entity, namely the modern state, and the moral implication thereof. The problematic of reading *Shari'a* as Islamic law as being diverged from Qur'anic morality as a separate entity stems from the Western intellectual discussions and later Orientalists' appropriation of such dichotomies.<sup>23</sup> In the pre-modern 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*."<sup>24</sup>

It has been well documented that with the onslaught of colonialism, the institution of *Shari'a* as one of the central paradigm in Islam has been marginalized and gradually replaced with European codes and laws.<sup>25</sup> Consequently, the concept of Islamic state has emerged along with the discourse on revival of Islamic law as an alternative to the abolished caliphate.<sup>26</sup> The concept and modern understanding of Islamic

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(Cambridge: Cambridge University Press, 2009), part two, and Wael Hallaq, *Shari'a: Theory, Practice, Transformations*, part three.

<sup>23</sup> The very culture in which this dichotomy is embedded has been generated through certain philosophical discourse. See Descartes, *Discours de la Méthode et Essais*, ed. Marie Beyssade and Denis Kambouchner, 3 Vols. (Paris: Gallimard, 2009); Carl J. Friedrich, *The Philosophy of Law in Historical Perspective* (Chicago: University of Chicago Press, 1963); Alasdair MacIntyre, *A Short History of Ethics* (London: Routledge, 1998); on the critique of the dualism between *is/ought* see Friedrich Nietzsche: *Sämtliche Werke*, ed. Giorgio Colli and Mazzino Montinari (Berlin and New York: de Gruyter, dtv, 1967); on the notion of the Qur'an as a structure for moral law see Wael Hallaq, "Groundwork of the Moral Law: A New Look at the Qur'an and the Genesis of Shari'a," *Islamic Law and Society*, 16 (2009): 239-279.

<sup>24</sup> Wael, Hallaq, "Groundwork of the Moral Law," 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 the law.

<sup>25</sup> Kamali, *Shari'a Law: An Introduction*, 233.

<sup>26</sup> Kamali notes that "Although dawah Islāmiyyah 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, dawah Islāmiyyah also lacked a textual basis in the Shari'a, but unlike the former, for which a precedent had existed, dawah Islāmiyyah 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

state are rather problematic, since they are based on the predicaments of the modern nation state that includes a specific realization of the socio-economic state.<sup>27</sup> Even if some scholars claim that Islamic law is compatible with the modern state,<sup>28</sup> the gist of the matter in restructuring the discourse on economics and law in Islam presupposes the restructuring of the moral fiber of an individual, which in turn inevitably leads to rethinking the concept of the modern state and its apparatuses.

Despite the fact that law and legal reasoning has always played an important role in reinforcing ethical and economic ideas in Islamic tradition, many classical Muslim scholars had deliberated economic ideas not only within the legal discourse but primarily in connection with the moral and spiritual aspects of existence and wellbeing.

#### 4 Classical Islamic Economic Thought

The history of Islamic economics relates to the very first scriptural sources of Islam, namely the Qur'ān and *Sunna*, each containing a number of economic ideas and applied practices. Ascetic behaviour (*zuhd*) that was applied by many classical Muslim scholars does not presuppose a negation of worldly affairs, but rather a healthy engagement in economic affairs pertaining to the overall behaviour of man. The teachings of scriptural sources were combined with the individual reasoning (*ijtihād*) and judgment of learned men (*'ulamā'*) in solving the emerging difficulties. According to Islahi, medieval Muslim scholars and their writings on economics can be divided into three periods.<sup>29</sup> Various classical and medieval Muslim scholars had contributed

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of state and government in Islam has known a variety of nomenclatures, including caliphate, imamate, sultanate and emirate, which, however, did not include dawlah Islāmiyyah. 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?" Kamali, *Shari'a Law: An Introduction*, 242.

<sup>27</sup> Hallaq showed that a modern Islamic (nation) state is rather an impossibility and a paradox. See Hallaq, *The Impossible State*.

<sup>28</sup> See An-Na'im, *Islam and the Secular State*.

<sup>29</sup> The first phase or the formation period, spanning from the commencement of the Qur'ānic revelation to the end of the era of Companions, i.e. *ṣahāba* (632 – 718 A.D.); the second phase or the translation period, during which many texts were translated into Arabic (8<sup>th</sup> – 11<sup>th</sup> century A.D.); and the third phase designates the transmission period, which witnesses the dis-

to economic ideas and moral conduct in Islamic tradition while invoking economic postulates within legal, philosophical, theological, and Sufi-mystical framework. For instance, al-Shaybānī, Ibn Abi al-Dunyā and al-Muḥāsibī analyzed the concepts of earning, wealth and money from a moral angle. Among many other scholars, al-Ghazālī believed that Islam advocates a spiritual and balanced approach to one's life that stretched between *dunyā* (the here) and the *ākhirā* (the hereafter).<sup>30</sup> Ibn Taymiyya had also made contributions to economic ideas by developing the term just price and labour value. He analyzed how fair price shapes social boundaries in relation to the common good. Ibn Taymiyya also believed that value is an increment obtained from both labour and capital.<sup>31</sup> Al-Dimashqī argued that mutual cooperation and division of labour are being utilized for more than just barter exchange.<sup>32</sup> Further, Ibn Khaldūn (1332-1406 A.D.), known as a historian and the father of modern sociology, also provided a more rational approach to economic reasoning and the cyclic theory of societies. In his opus *Muqaddima*, he attempted to detect the natural laws that are present in the deve-

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semination of translated texts from the hands of Muslim scholars, when Greco-Islamic ideas reached Europe (12<sup>th</sup>-15<sup>th</sup> A.D. century). The translation period is designated as the era in which foreign ideas and authors, e.g. the Greeks, were translated into Arabic, bearing a certain relevance and impact on the further development of Medieval Islamic economic science by combining Islamic heritage with foreign knowledge. A second group tried to discern between beneficial and controversial ideas in relation to Islamic principles, whereas the third group comprised Islamic philosophers who were deeply influenced by Greek philosophy. A fourth group, namely Sufis or *ahl al-taṣawwuf*, incorporated mystic elements of divine worship also found in Islamic sources. Abdul Azim Islahi, *Contribution of Muslim Scholars to Economic Thought and Analysis*, 11-905 A.H./632-1500 A.D., (Jeddah: Islamic Economics Research Centre, King Abdulaziz University, 1425/2004), 15.

<sup>30</sup> See Abu Hamid al-Ghazālī, *Iḥyā' Ulūm al-Dīn*, 4 Vols, (Beirut: Dār al-Nadwah, n.d.).

<sup>31</sup> See Ibn Taymiyya, *Majmu' Fatāwa Shaykh al-Islām Aḥmad Ibn Taymiyya* (Al-Riyāḍ: Matābī' al-Riyāḍ, 1963), Vol. 30, 87, 103.

<sup>32</sup> Abu'l-Fadl Ja'far al-Dimashqī, *Al-Ishārah ilā Maḥāsīn al-Tijārah* (Cairo: Maktabah al-Kulliyat al-Azhariyyah, 1977).

lopment of societies.<sup>33</sup> For many classical scholars, social and economic development was perceived as socially obligatory duties.<sup>34</sup>

## 5 The Revivalist Movement in Islam and Capitalism

Many Muslim revivalists such as al-Afghānī, Muḥammad ‘Abduh, Rashīd Riḍā, Muhammad Iqbal and others envisioned a moral order that would not be indicted by or associated with Western capitalism and socialism.<sup>35</sup> For many revivalists, the individual, within the narrative of the *umma* (Muslim community) was to be the prime aim of restructuring values, norms, and principles, including the underpinning of Islam’s moral economy.

Capitalism as a system of economic life has been associated with a view of human rationale, which advocates individual self-interest, ends / means calculations, and utilitarian gains.<sup>36</sup> This was possible due to the role of the market which encourages commodification and the free flow of trade. In a capitalist-driven system

“the market is not only the major site for the exchange of commodities, but becomes the supreme institution and dominant metaphor for most social transactions... Money and the search for profit become the measures of all things, completing the circle of disembodied cash transactions in which

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<sup>33</sup> One of the most important discoveries of Ibn Khaldūn was that economic development appears in his theory of cycles to correlate with the expansion of urban areas and empires. Once an empire reaches its highest point in development, a decline in strictly economic terms also commences. As far as the labour theory of value is concerned, Ibn Khaldūn insists that “profit is the value realized from labour.” Ibn Khaldun, *Muqaddimah*, Vol. 2, (Beirut: Dar al-Fikr, 1967), 272. On another occasion he states that “it has, thus, become clear that gains and profits in their entirety or for most part, are value realized from human labour” (Ibn Khaldun, Vol. 2, 314).

<sup>34</sup> See for instance al-Ghazālī, *Iḥyā’ Ulūm al-Dīn*, 32.

<sup>35</sup> For instance, ‘Abduh was concerned about excessive conduct and; Rashīd Riḍā trying to theorized basic provisions for the community within the parameters of *Shari’a*; for Iqbal materialism deprived human being of spiritual wealth. For more see Jamāl al-Dīn al-Afghānī, *Al-A’mal al-Kāmilah* (Cairo: Dār al-Kitāb al-‘Arabī li al-Tab’ah wa al-Nahar, 1968); Rashīd Riḍā, *Al-Ribā wa al-mu’āmalāt fī al-islām*, ed. Muḥammad Bahjat al-Bitar (Beirut, 1986); Muhammad Iqbal, *The Reconstruction of Religious Thought in Islam*, electronic version, available at [www.alhassanain.org/english](http://www.alhassanain.org/english).

<sup>36</sup> See e.g. Milton Friedman, “The Methodology of Positive Economics,” in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953).

ethical constraints are no longer considered part of the process, except prudentially. This model of rationality colonises the ethical world, suggesting that it is the model for a universal rationality, its triumph evident in the ethically sanctioned freeing of ‘human nature’ to become the agent that will reproduce capitalist enterprise”.<sup>37</sup>

Its inhumanity depends heavily upon the commodification of labour, whereby human exploitation is inevitable. In the context of African, Middle Eastern and Asian countries, the colonial powers diminished the local cultures, including social and economic realities. However, under the pressure from the ruling classes, local elites accommodated the political, legal and economic implementations, which were at times confronted with the Islamist call for an Islamic society.

...Those who responded in an Islamic idiom were reacting sceptically to the benefits of material progress and were articulating the perturbation of societies undergoing legal, economic and political change. They were also giving voice to an idealised and consciously ‘Islamised’ version of the moral economy. This provided a touchstone of authenticity, as well as terms of reference for the projected reconstruction of an integral Islamic order.<sup>38</sup>

Hence, one of the most pertinent questions is whether the so-called Islamic vision of society and its moral postulates could be asserted in its distinctive form and constructed independently from the emerging economic trends of global capitalism.<sup>39</sup>

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<sup>37</sup> Tripp, *Islam and Moral Economy*, 5. For more see Roger Friedland and A. F. Robertson, eds., *Beyond the Marketplace: Rethinking Economy and Society* (New York: Routledge, 1990).

<sup>38</sup> Tripp, *Islam and Moral Economy*, 32-33.

<sup>39</sup> This would inevitably address also the question on whether global capitalism is conducive with the Islamic values of economic conduct and how the two intermingle in contemporary world. “Capitalism itself was being moderated from within through Keynesian welfare economics, and challenged from without by the model championed by the USSR and its allies. Thus, the period opened up the possibilities for various forms of action, stimulating the imagination of many in the region. This raised the fear for those who were determined to reshape public life, society and economy along distinctively Islamic lines that others, inimical to Islam, were also preparing to seize this moment of historical possibility”. Tripp, *Islam and Moral Economy*, 46.

## 6 Contemporary Islamic Economics – between Islamization and the Global World Order

As there are many definitions and theories,<sup>40</sup> there is no clear indication what exactly Islamic economics encompass or what its subject matter consists of; however, what was formulated as the Islamic position on economics was a value system of Islam.<sup>41</sup> The majority of contemporary scholars on Islamic economics approach the subject of Islamic economics from a comparative viewpoint, analyzing Islamic economics in relation to socialism and capitalism. Various mechanisms within Islamic thought<sup>42</sup> have been appropriated and advanced in the field of Islamic economics in order to juxtapose it to capitalism and socialism, by defining it as a “third way.” The Islamic economic project addressed moral and economic issues, modeling an economic idea based on Islamic principles that would compete with the twentieth century capitalism. Reza Vali Nasr asserts that Islamic economics has evolved along three distinct modes.

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<sup>40</sup> See for instance Mohammad Nejatullah Siddiqi, *Muslim Economic Thinking: A Survey of Contemporary Literature* (UK: Leicester Islamic Foundation, 1981); Syed Nawab Haidar Naqvi, *Islam, Economics, And Society*, (London: Kegan Paul International, 1994); Abbas Mirakhor, *A note on Islamic Economics* (Jeddah, Saudi Arabia: Islamic Development Bank, Islamic Research and Training Institute, 2007); Masudul Alam Choudhury, *The Islamic worldview* (London, New York: Kegan Paul, 2000); Masudul Alam Choudhury, *Studies in Islamic Social Sciences* (GB, USA: Macmillan, St. Martin's Press, 1998); Masudul Alam Choudhury, *The Principles of Islamic Political Economy: A Methodological Enquiry* (New York: Macmillan, 1992); Muhammad Akram Khan, *An Introduction to Islamic Economics* (New Delhi: Kitab Bhavan, 1999).

<sup>41</sup> Rauf A. Azhar, *Economics of an Islamic Economy* (Leiden: Brill, 2010), 6.

<sup>42</sup> *Falāḥ* (well-being), *ʿadl* (social justice), and *maṣlaḥa* (social welfare or public good) are some of the basic norms by which the legitimacy of economic activity can be established. *Falāḥ* implies an Islamic emphasis on the well-being of the society as a whole as well as of each of its members, and avoidance of luxuries. Also, the notion of justice (and just price) plays a prominent role in Islamic economics, whilst *maṣlaḥa* has been rendered an objective and aim of contemporary economic thought. Man's struggle has been in the modern period directed towards the production, consumption and distribution of wealth and that is why the redistributive system is so pertinent to the discussion at stake. For *maṣlaḥa* and *maqāṣid al-Sharīʿa* see e.g. Jaser Ouda, *Maqāṣid al-Sharīʿa: An Introductory Guide* (Herndon: IIIT, 2008); for *maṣlaḥa* and Islamic economics see Mohammad Umer Chapra, *The Islamic Vision of Development in the Light of Maqāṣid al-Sharīʿa* (Jeddah: Islamic Research and Training Institute Islamic Development Bank, 2008); for Islamic economics as a third way see Bāqir Muḥammad al-Sadr, *Iqtisāduna* (Tehran: World Organization for Islamic Services, 1982); on the Qurʿanic philosophy of moderation see Qurʿan e.g. 7:31-32.

First, as a socio-political ideal contrasting capitalism, socialism and/or any political economy that may be drawn up as a result of the marriage of the two. In this regard Islamic economics is presented as a Third Worldist ideology which is defined in terms of capitalism and socialism, and also as that which the two Western ideologies are not... Second, Islamic economics has been shaped around the practical aspects of the process of Islamization... Finally, Islamic economics has developed as a new philosophical approach to the science of economics.<sup>43</sup>

It is not pertinent for Islamic economics only to engage in a dialog with Western economic ideas, but moreover, to establish and formalize Islam-inspired economic postulates into a scientific and humanistic corpus that would encourage and provide for the social order. Such an approach combines religious-ethical stipulations with economic science. In this regard, the Islamic conception of a worldview rests upon the notion of *tawhīd*, whereby the historic development is cyclic rather than linear.<sup>44</sup> Economics would ideally occupy a place in this cosmic realm balancing the material and the spiritual domain of human beings, resting upon the mechanisms of unity, well-being, equilibrium, freedom, justice, and responsibility.<sup>45</sup> Wealth and income, as being contingent upon socioeconomic conditions of man, thus vary and as such are not objectifiable, whilst the institution of *zakāt* (flat tax) in Islamic tradition indicates two and a half percent on savings and property in order to provide for the needy and poor.<sup>46</sup> Also, labour in Islam is not simply an instrument to obtain a higher level of production, but rather the agreements between the employer and the employee ought to be carried out in accordance with the ethical stipulations in order to achieve a certain degree of social justice. The ideal level of consumption and moderation

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<sup>43</sup> Seyyed Vali Reza Nasr, "Towards a Philosophy of Islamic Economics," *Muslim World*, 77, 3-4, (1987): 175-176; Vali Reza Nasr, "Islamization of Knowledge: A Critical Overview," *Islamic Studies*, Vol. 30, No. 3 (1991): 387-400..

<sup>44</sup> See for example Seyyed Hossein Nasr, *An Introduction to Islamic Cosmological Doctrines* (Cambridge: Harvard University Press, 1964); Henri Corbin, *Cyclical Time and Ismaili Gnosis* (Boston: Routledge & Kegan Paul, 1983). For a classical analysis of this view, see Ibn Khaldūn, *Muqaddimah*.

<sup>45</sup> See e.g. Syed Nawab Haidar Naqvi, *Ethics and Economics* (UK: Islamic Foundation, 1981).

<sup>46</sup> Muhammad Abdul Mannan, *Islamic Economics* (Kent: Hodder & Stoughton; Boulder: Westview Press, 1986), 220-221.

has been promulgated in Islam according to basic human needs.<sup>47</sup> As such, the aim of Islamic economics is in theory “ethical ‘orthodoxy’ and not market efficiency.”<sup>48</sup> The vocal point of Islamic economic philosophy, embedded in labour ethics and healthy economic development is thus inextricably related to the operation of trade agreements, market function, and above all, the concept of equity and (social) responsibility. By providing for the poor, restricting levels of extravagance, prohibiting hoarding and interest, and protecting individual rights, the above-mentioned values are made easier to be obtained within the framework of egalitarian, humanitarian, and democratic social ethos based on the principles of Islamic tradition, whereby the personal values intercept with the communal ones.

## 7 The Critique of Contemporary Islamic Economics and Banking Project

Despite the progressive, ethical, and socially oriented ideas of Islamic economics, the whole field of study as well as the factual practice of Islamic finances and banking indicates flaws and causes suspicion.<sup>49</sup> The development of Islamic economics that presupposes conditions based on Islamic principles for an Islamic society, which was carved into the existing model of nation state, invokes epistemological confusion. The assertion that Islamic economics and Islamic finance provided development programmes through the free market economy while advancing technological and economic growth did little to further a morally conscious economic behaviour in real-life societies. Instead, it provided incentives and prosperity for some: “Not only does this show an understanding of a distinctively economic arena that is heavily influenced by the discourse of mainstream economics, but it also projects a programme of economic development suggested by the historical trajectory of

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<sup>47</sup> Mannan, *Islamic Economics*, 127.

<sup>48</sup> Quoted in Seyyed Vali Reza Nasr, “Towards a philosophy of Islamic economics,” 189.

<sup>49</sup> See for instance Khan, *What is Wrong with Islamic Economics?*; Azhar, *Economics of an Islamic Economy*; Mirakhor, *A note on Islamic Economics*.

the countries of the capitalist, industrialised West.”<sup>50</sup> By the late 1990s, the idea of Islamic economics developed not as a third way and a distinct economic system, but rather as a capitalism-driven hybrid system embellished with Islamic terminology and mechanisms, upholding the prohibition of monopoly, while being integrated into the global conglomerates and lucrative financial markets.<sup>51</sup> In this regard, the *homo Islamicus* or “Islamic personality,” as to oppose the *homo economicus*,<sup>52</sup> “is an ideal construct, an argumentative device to allow the reconciling of apparently contrary currents. It was bound to reflect the preoccupations of those concerned about capitalism and socialism.”<sup>53</sup>

Whether theoreticians, economists, and religious scholars were conscious of their texts’ impact on the ground for the flourishing of Islamic finances, and whether they upheld Islamic banking project is of a little relevance to the subject at hand. Nonetheless, what became to be regarded as interest-free Islamic financial institutions, which commenced in the 1950s and 1960s, and then blossomed in the 1970s and 1980s

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<sup>50</sup> See Rashid al-Barrawi, *Al-Iqtisād al-islāmi* (Cairo, 1986), 5-9 quoted in Tripp, *Islam and Moral Economy*, 114. For further critique of Islamic economics see for instance Volker Nienhaus “Islamic Economics’ – Policy between Pragmatism and Utopia,” *Economics*, Vol. 25, 1 (1982): 80-100; Volker Nienhaus: “Islam, Democracy and Market Economy,” *Internationale Politik – Transatlantic Edition*, Vol. 3, 2 (2002): 58-64; Nienhaus, Volker, “Grundzüge einer islamischen Wirtschaftsordnung im Vergleich zur Sozialen Marktwirtschaft,” *Kas Auslandsinformationen*, 11/2010; Timur Kuran, *Islam and Mammon: The Economic Predicaments of Islamism* (Princeton: Princeton University Press, 2004); Timur Kuran, “Modern Islam and the Economy,” *New Cambridge History of Islam*, Vol. 6, ed. Michael Cook and Robert Hefner (Cambridge: Cambridge University Press, 2010): 473-94; Timur Kuran, “Islamism and Economics: Policy Implications for a Free Society,” *Islam and Public Policy, International Review of Comparative Public Policy*, Vol. 9, ed. Sohrab Behdad and Farhad Nomani (Greenwich, Conn: JAI Press, 1997): 72-102; Timur Kuran, “Islamic economics and the Islamic subeconomy,” *Journal of Economic Perspectives*, 9 (1995): 155-173; Timur Kuran, “On the notion of economic justice in contemporary Islamic thought,” *International Journal of Middle East Studies*, 21 (1989): 171-191; Timur Kuran, “The economic system in contemporary Islamic thought: Interpretation and assessment,” *International Journal of Middle East Studies*, 18 (1986): 135-164; Timur Kuran, “The Genesis of Islamic Economics: A Chapter in the Politics of Muslim Identity,” in *Islam & Mammon*, ed. Timur Kuran (Princeton: Princeton University Press, 2004).

<sup>51</sup> On the pro-market economy, despite his critique of capitalism and solid analysis of Islamic economics, see Azhar, *Economics of an Islamic Economy*.

<sup>52</sup> For the division of the two schemes see e.g. Mohamed Aslam Hanēef and Hafas Furqani, “Developing the Ethical Foundations of Islamic Economics: Benefiting from Toshihiko Izutsu,” *Intellectual Discourse*, Vol. 17, No. 2 (2009): 173-199.

<sup>53</sup> Tripp, *Islam and Moral Economy*, 122.

in Egypt, Pakistan, Kuwait, Malaysia, Saudi Arabia and elsewhere, displayed a perseverance of Islamic identity and, at the same time, an engagement with the global economy.<sup>54</sup>

Largely, political Islam bolstered Islamic economics,<sup>55</sup> and Islamic banking flourished along with the financial support of the Islamist groups. Between 1979 and 1983, the governments of Pakistan, the Islamic Republic of Iran, and Sudan introduced measures in order to “Islamise” their state economies.<sup>56</sup> In Iran, the Islamist movements seized control of the state economy, and consequently made the banking sector a distinctively Islamic financial institution.<sup>57</sup> The logic of capital accumulation and the pursuit of profit accompanied various ways of commodification within the Islamic banking sector. From the very outset, Islamic banks have incorporated *Shari‘a*-board *fiqh* specialists intended to advise and adjudicate on financial matters with economists, an approach that displayed an Islamic character within the banking

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<sup>54</sup> See al-Sadr, *Iqtisādunā*. For the objectives by the International Association of Islamic Banks (1990) as cited in Charles Tripp’s *Islam and Moral Economy* (page 138), see al-Omar and Abdel-Haq, *Islamic Banking*, 27: “the Islamic banking system involves a social implication which is necessarily connected with the Islamic order itself . . . Profitability is therefore not the sole criterion or the prime element in evaluating the performance of Islamic banks, since they have to match both between the material and the social objectives that would serve the interests of the community as a whole.”

<sup>55</sup> Robert Dreyfuss, *Devil’s Game* (New York: Owl Book, 2005), 168.

<sup>56</sup> In Sudan also the IMF dictated the reforms the application of IMF dictated reforms indicated that the driver of the economy was neither the Islamic banks nor the realisation of an Islamic financial ideal, but the international financial institutions of a global capitalist order. See e.g. J. Millard Burr and R. O. Collins, *Revolutionary Sudan: Hasan al-Turabi and the Islamist State 1989-2000* (Leiden: Brill, 2003); Dreyfuss, *Devil’s Game*.

<sup>57</sup> “These institutions took two directions. Either they became the institutions of national economies, such as the Iranian banking system, which, whilst they undoubtedly benefited those Muslims within the jurisdiction of the state, although by no means all equally, became a recognisable subsidiary of a global economy that owed nothing to distinctively Islamic principles or practices. Alternatively, they developed as private financial institutions, initiating the dynamic expansion of Islamic banking witnessed since the 1970s and providing Muslims with ethically sound vehicles for full participation in global markets of capital and commodities. In both cases, the response to the dominant capitalist order has been distinct, but largely integrative in effect.” Tripp, *Islam and Moral Economy*, 9. Furthermore, the state economy required also collaboration with the global framework in the world trade and finance. See e.g. Sohrab Behdad, “A disputed utopia: Islamic economics in revolutionary Iran,” *Comparative Studies in Society and History*, Vol. 36, No. 4 (1994): 775-813.

system.<sup>58</sup> Yet, on the ground, the Islamic banks did neither question nor challenge global capitalism; on the contrary, Islamic finance has proven that those institutions sought a distinctive niche within the established political economic realm of the neoliberal market system.<sup>59</sup> The capital market and the notion of global capitalism have remained untouched, attracting those who felt morally obliged to participate in *ribā*-free and unconventional economic platform.<sup>60</sup> In this sense, Islamic banking integrated itself into the global financial market, despite its apparent compliance with Islamic ethical values.<sup>61</sup>

## 8 The Way Forward – Values of Moral Cosmology

Whether Islamic economics will provide for socially conscious economic development within (Muslim) societies, and how much it will influence Western economic thought, to a great degree depends on how Islamic economists will elaborate the philosophy and develop the factual economy of Islamic economics. In Islamic thought, societal balance corresponds to a pre-modern notion of moral economy, reflecting man's balanced approach to economic conduct encapsulated in the metaphysical order. It is impossible to think economy on its own terms, as if being detached from other fields of knowledge, since Islamic science of economics is based on the ethics of religion. Consequently, Muslim economists have so far developed only an overall conception of economic ethics, while relying on the capitalistic principles within the democratic processes of a nation state: "The difficulties which confront Islamic economics as a result of the Islamization process are demonstrative of the pitfalls of attempts to formulate a discipline without prior elaboration of a coherent philosophy to support it."<sup>62</sup>

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<sup>58</sup> For more see Ibrahim Warde, *Islamic Finance in the Global Economy* (Edinburgh: Edinburgh University Press, 2000).

<sup>59</sup> See Tripp, *Islam and Moral Economy*, 142; Dreyfuss, *Devil's Game*, 168-190.

<sup>60</sup> For more see for instance Hallaq, *The Impossible State*, 140-146; Tripp, *Islam and Moral Economy*, 103-150.

<sup>61</sup> Nomani, Farhad and Ali Rahnama, *Islamic Economic Systems* (London: Zed Books, 1994).

<sup>62</sup> Seyyed Vali Reza Nasr, "Towards a philosophy of Islamic economics," 195.

The Islamic bankers and Muslim economists to a large extent envisioned a system being in accordance with modern democracy in the West that would support human values while trying “to imagine a distinctive and unique Islamic society and, in doing so, had found that the discipline of sociology had so shaped their views of society that it coloured their views of a properly functioning Islamic society.”<sup>63</sup> The same goes for their view of (political) economy, which shaped certain perception of reality. The stalemate is, however, that Islamic economics as a field of study did not generate mechanisms to eliminate poverty, or institutionalize mechanisms that would assure the socioeconomic prosperity, envisioned within a spiritually and morality-driven framework to stipulate economic behaviour. Moreover, Islamic banking, serving primarily one segment of society,<sup>64</sup> does not provide for the overall socioeconomic wellbeing of society. It has thus shown that there is no alternative yet to capitalism, and that capitalism can transform an alleged alternative system into a subservient, market-driven approach of identity politics.

Exercising “democratic development” by securing financial markets and institutions does not assume restructuring the social conditions across the Middle East.<sup>65</sup> Thus, it is pivotal to recuperate the democratic project of human development along with the spiritual characteristics of a moral economy. As much as Reza Vali Nasr’s critique of Islamic economics portrays factual shortcomings of the Islamic economic project,<sup>66</sup> and while his analysis is correct in that “the political as well as

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<sup>63</sup> Tripp, *Islam and Moral Economy*, 148.

<sup>64</sup> “Instead, the Islamic banks and finances have become a recognisable part of the landscape of advanced capitalism, catering to – indeed creating – a particular section of the market. This aspect of Muslim engagement with global capitalism was reinforced in 1999 when both the New York and the London stock exchanges launched indexes of companies judged to be ethically sound as far as Islamic principles are concerned, reassuring Muslim investors that their funds could grow without harming their moral values.” See F. Bohkari, ‘Indexes clear the way for investors’, *Financial Times*, 26 October 2000 cited in Tripp, *Islam and Moral Economy*, 149.

<sup>65</sup> “What is needed in the current moment of political chaos is not so much stringent and pious calls for the reassertion of secularism but a critical analysis of what has been assumed to be the truth of secularism, its normative claims, and its assumptions about what constitutes “the human” in this world”, Saba Mahmood, “Secularism, Hermeneutics, and Empire,” 347.

<sup>66</sup> Seyyed Vali Reza Nasr, “Towards a philosophy of Islamic economics,” 175-196; Seyyed Vali Reza Nasr, “Islamic economics: novel perspectives on change in the Middle East,” *Middle East Studies*, Vol. 25, No. 4 (1989): 516-530; Seyyed Vali Reza Nasr, *The Vanguard of the Islamic*

the economic dimensions of statecraft have become increasingly judged by the yardstick of religion and at times ‘Islamized,’<sup>67</sup> his solution on how to increase economic development based on the idea of free-markets across the region would facilitate even more economic disparity in those societies.<sup>68</sup> To this assertion, Mahmood’s explanation on understating secularism provides incentives on how to tackle the problematic of exporting secular democracy to the Middle East whose aim is only to achieve material development: “The convergence of the U.S. imperial interests and the secular liberal Muslim agenda needs to be understood, therefore, not simply as a fortuitous coming together of political objectives and an indigenous social formation, but, given my earlier argument, from the standpoint of normative secularity and the kind of religious subjectivity it endorses.”<sup>69</sup>

Western economics concentrates on the linkages, which tie various distributive channels of economy.<sup>70</sup> The issue of the current economic and political excursions across the Middle East is that it does not deny the *religious* or religion as such, but that it curtails the spiritual side of economic endeavours. Alternatively, understating Islamic economics through its metaphysical intentionality along its universal (moral) values, translates into placing greater importance on the correlation between the distributive mechanisms of the economy and social equity. Labour cannot be deprived of its spiritual meaning, for work is spiritual in essence,<sup>71</sup> whereas the secularisation of the production processes

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*Revolution: The Jama'at-i Islami of Pakistan* (London: I. B. Tauris, 1994); Seyyed Vali Reza Nasr, *Islamic Leviathan* (Oxford: Oxford University Press, 2001).

<sup>67</sup> Seyyed Vali Reza Nasr, “Towards a Philosophy of Islamic Economics,” 175.

<sup>68</sup> Nasr’s analysis of how to tackle extremism while providing the solution for the socioeconomic growth across the Middle East is rooted in the propagation of creating a new middle class based on foreign investments and free market trade. See Nasr, *The Rise of Islamic Capitalism*.

<sup>69</sup> Mahmood, “Secularism, Hermeneutics, and Empire,” 329.

<sup>70</sup> Seyyed Vali Reza Nasr, “Towards a philosophy of Islamic economics”, 195.

<sup>71</sup> There are three purposes of work: to provide for necessary goods and services; second, to use gifts and goods, and third, to be in service with other individual to liberate oneself from ego-centricity. This is the role of jihad in work. See Waleed El-Ansary, “Islamic Science and the Critique of Neoclassical Economic Theory,” *Contemporary Islamic finance: Innovations, Applications, and Best Practices*, ed. Karen Hunt-Ahmed (Hoboken, NJ: Wiley, John Wiley & Sons, Inc., 2013).

strips away the idea of economic equilibrium. Economic equilibrium is hence necessary if a long-term environmental crisis is to be avoided. The environmental capital has been waning down, whilst humanity is treating the depletion of resources as income.<sup>72</sup> While science and technology are vital for human progress, they do not necessarily provide a so-called fix to the spiritual crisis, including the quality to quantity reduction, which addressed a pertinent question on how to solve man-nature relationship. The secularisation of economic theory stems from this very reduction, and economic issues cannot be resolved on their own, for they are sociological, philosophical, and moral in nature. Hence, technical solutions in applying democratic values of liberal capitalism, based on material wealth alone, are inadequate in addressing social problems in societies.

According to the Islamic perception of reality,<sup>73</sup> every aspect of life is as such sacred. Even work fulfils this category, for it provides for human prosperity.<sup>74</sup> The principles of development that are grounded in the concept of justice are composed out of two sets of ethics: the ethics of science and ethics of prosperity.<sup>75</sup> The idea of *'adl* (justice) in economic tradition of Islam secures fulfilling needs and restricting wants, whilst aiming at eradicating poverty and social inequality. From such a perspective, justice and human rights are intimately connected in the space of democracy. An ideal Islam-inspired governance (and not state) would derive its function from the need to give political authority to the enforcement of a just social system which would guarantee basic needs for all its members and ensure their economic rights, e.g.

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<sup>72</sup> The problem of production has yet to be solved, for the current economic system is trading capital as income. E. F. Schumacher, *Small is Beautiful* (London: Harper Perennial, 1973).

<sup>73</sup> See e.g. Hossein Nasr, *An Introduction to Islamic Cosmological Doctrines*; Seyyed Hossein Nasr, "Spirituality and Science – Convergence or divergence?," *The Essential Sophia*, accessed 27 June, 2016, <http://www.worldwisdom.com/public/library/default.aspx>

<sup>74</sup> Schumacher, *Small is Beautiful*, 3.

<sup>75</sup> "The rights concerning government, power, and the just relationship between the ruler and the ruled are among the most significant elements of these rights. Therefore, the effort to restrain and restrict power is closely related to the establishment of justice and human rights. Indeed, the two efforts are in such constant exchange and harmony that any trouble or tension in one reverberates in the other. Justice, then, is a metareligious category, and the right and acceptable religion should, inevitably, be just." Soroush, *Reason, freedom, and democracy in Islam*, 52 and 132.

basic standard of living, labour rights, provision for the poor, etc. It would have to improve the conditions of each individual citizen through social cooperation, education, and economic prosperity based on the moral self. For many classical Muslim scholars, choosing poverty and deprivation over wealth was Sufi ordinance intended to increase one's well-being, for "poverty is better and safer than affluence because the poor have less of an interest in the worldly affairs and to that extent, they will be more inclined to prayer and pious reflection", and "in the majority of cases the danger of poverty is less than that of affluence, because the temptations of wealth are greater than those of poverty."<sup>76</sup> On the other hand, for instance the Iranian poet Saa'di, sought the superiority of poverty over wealth, since for him financial security meant also spiritual security and vice versa. "On the contrary, if the virtues of poverty and those of wealth are properly observed, they would be morally equivalent. If the modern way of life is somehow flawed, it is not because it fails to be poor and patient, but because it fails to be rich and grateful."<sup>77</sup> The ultimate aim of economic prosperity hence ought not to be only financial freedom and security, but also first and foremost economic conduct attained through spiritual and moral breakthrough.

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<sup>76</sup> Soroush, *Reason, freedom, and democracy in Islam*, 19-20.

<sup>77</sup> Soroush, *Reason, freedom, and democracy in Islam*, 25.

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