

RESPONSE TO COMMENTS ON “ISLAMIC ECONOMICS: PROBLEMS AND PROSPECTS” (IEPP)

ASAD ZAMAN

International Institute of Islamic Economics
International Islamic University, Islamabad
E-mail: asadzaman@alum.mit.edu

1: Preamble

Allah is the Light of the Heavens and the Earth. May Allah guide us all to His Light, and protect us from error, and the deceptions of Shaitan and the idle desires of the Nafs. We human beings have been given very little knowledge, and cannot acquire even partial understanding of any subject except if Allah T'aala chooses it for us. May Allah open our hearts, join us on the straight path of Guidance, illuminate our understanding, and grant us the words which clearly express His will.

All sincere Muslims are united in the pain we feel at the current condition of the Ummah, which was supposed to be the best of the 'nations'. The laments of Iqbal and Hali strike deep chords in the hearts of all of us. There is widespread agreement on the need to Islamize social, political, and economic systems, as well as to improve spiritual and moral conduct, and update both the religious and the material knowledge base of the Ummah as a whole. There are sharp disagreements among Muslims on the relative priorities of the various tasks facing us. I would counsel myself and my fellow Muslims to focus on our common purpose and feelings, and have patience with others who prioritize problems in different ways from ourselves. It is clear

on an experienced development team for their data warehouse development task.

to all that work is needed on numerous fronts and that centuries of neglect cannot be repaired overnight. We can achieve one of the greatest treasures of Allah, the unity of the hearts (3:103) if we follow His advice to “Cooperate in righteousness and piety (5:2).

II. Response to Professor Khurshid Ahmad (PKA)

PKA is largely in agreement with the issues raised in IEPP. I will comment only on the few and minor areas where we appear to disagree – I believe that these disagreements are of form and style rather than substance. He asks for sympathy and understanding for our predecessors who worked in Islamic Economics. Every critique which proposes a new approach will naturally point out problems with existing approaches. In fact, the room for my critique, and its necessity, was created by the heroic efforts of our predecessors in Islamic Economics. They created the space and the platform on which a discussion about Islamic Economics could take place. Previously there was none. Furthermore, the failures I point out are the ones that we have learned from their efforts. Had they not undertaken the effort along the paths that they did, then we would have had to go along the same route, to find that it is blocked ahead. So in both these senses, as well as many others, we are all deeply indebted to our predecessors. This issue was not raised or discussed in my original paper since its focus was rather different.

A second issue raised by PKA is with regards to Islamic Banking. He finds my take on the subject (that it is an attempt to legitimize conventional Western banking by distorting the Shariah) less than generous. In fact, IEPP devotes only one paragraph to the subject and explicitly indicates the desire to bypass this controversial issue. However, since PKA raises the subject I will deal with it at somewhat greater length here. Articles and discussions are attempts to persuade the audience of something. In domains which are not contested, and do not arouse passions or challenge existing power structures, this is relatively easier. Islamic banking is a heavily contested domain which has direct contact with existing power structures. In my judgment (which may be wrong), we lack the resources to contest this field, and the field itself is not a high priority issue in terms of problems facing the Ummah. It lacks priority because the vast majority of the Ummah is poor – since they do not have savings, they do not need Islamic financial services. Additionally, I believe that the general level of morals and integrity in the Ummah must be increased before viable efforts can be made in the field of Islamic Banking. To illustrate, suppose that the members of the Shariah Board of an organization are asked to look into the permissibility of a new financial instrument, say some type of sukuk. They are told that the bank will generate business worth \$1 billion if the sukuk is permissible, and some portion of this will be available as fees for shariah advice. If the sukuk is not permissible, then there is no new business and no new fees. On the face of it, this is a perfectly respectable business proposition with no element of bribery or corruption. How

many Muslims will resist looking through all possible loopholes in the Shariah to legitimize the sukuk transaction when this legitimacy will be a source of great personal financial gain? I do believe we have an important core of people in the Ummah who have integrity which cannot be purchased at any price. However, I believe such people are currently scarce and more profitably employed in general uplift of moral standards of the Ummah, rather than in specialized battlefields.

III. Response to Dr. Mohammad Nejatullah Siddiqui (MNS)

Some of the issues raised by MNS are differences of form, but I believe we have some substantive differences as well. First, I do not underestimate the intellectual effort required for the revitalization of Islamic institutions. If anything, I believe even more effort is required than that envisioned by MNS. This point (the tremendous effort needed) is made in greater detail in some of my papers (“An Islamic Worldview: An Essential Component of an Islamic Education,” and “Death of God and Birth of Western Social Sciences,” downloadable from my website: <http://iiie.iiu.edu.pk/asad/default.htm>). However, I do believe that we disagree on the causes of Muslim decline, and therefore disagree on the route to the solutions. In fact, major divisions among Muslims exist on precisely this issue: what is the relative priority of the vast number of different tasks which all need to be done for the much desired renaissance of the Muslim Ummah? My view is that we cannot hope to achieve widespread consensus on relative priorities of the different tasks (spiritual, moral, political, educational and other types of reform). However, we can easily achieve consensus that reform is needed in all of the fields, and anyone working on any of the fields deserves our cooperation and respect. With this “agreement to disagree” I believe we can reach the harmony among ourselves required to bring the help of Allah. I admire the deep historical learning of MNS, which is obviously generated by concern for the condition of the Ummah, and also agree with many of the elements of his analysis. My own feeling is that our priorities lie elsewhere, but I am very conscious of my own inability to analyze the deep and difficult problems facing us. Therefore I do not insist on others following my lead – in any case, we are all individually responsible for our own actions to Allah on the day of judgment. I recognize MNS as a valuable and precious partner in the team effort to revitalize the Ummah, which requires work on a large number of different fronts.

Another issue on which MNS and I do not see eye to eye is regarding the worth of neoclassical economics. I do not consider it worth making an effort to maintain continuity or dialog with modern economists, because I believe modern economics is a failure:

1. As a theory, its main principles are known to be empirically false. The main principles are that consumers maximize utility, and that firms maximize profits. All empirical investigations show that these principles do not hold; neither firms nor consumers behave in the way postulated by economic theory.
2. It does not have predictive power, necessary for policy making. There were a large number of severe economic crises in the twentieth century, starting with the Great

Depression. NONE of these crises were forecast by economists – indeed, the profession was usually taken by surprise. In the aftermath of the crises, the economists did not have good solutions to offer and were often justly accused of having made things worse.

3. Neo Classical economics does not concern itself with ethical and moral issues, and does not address the central Islamic concerns of justice, fairness, and the feeding of the poor. Even though more than 11 million children each year die of problems which could be easily resolved with small amounts of money, this problem is not on the list of issues which economists discuss.

4. Due to historical factors, conventional economics has developed a methodology which is entirely unsuitable for social science – instead of examining the historical data on economic behavior of human beings, it uses mathematical models borrowed from physics. Many Nobel Prize winners and leading economists have commented on this, and the fact that most research in economics is directed towards a dead-end, and not relevant to solving real life economic problems.

Since I do not regard the over-mathematicised methodology of modern economics as valuable, I do not have much hesitation in going back several centuries to the work of our ancestors and trying to pick up the threads from there. As I have said earlier, we can agree to disagree on this issue – the virtues of either approach or both will become apparent with time and effort.

Another area of disagreement between MNS and myself is that regarding the extent to which our discipline should be universal. I take the view that we should use Islamic discourse and confine our initial efforts to develop the discipline for Muslims. The most fundamental reason for this is that any Islamic discipline must take the Quran as axiomatic, while Western discourse does not allow even the mention of God in serious academic literature. This means that it is impossible to develop any Islamic discipline within the constraints imposed by the intellectual conventions of Western academia. A more detailed discussion of this point is given in the final sections of this note.

IV. Response to Javed A. Ansari (JAA)

Javed A. Ansari's (JAA) rabid paper heightened my deplorable tendency of tilting at windmills to the point where I barely refrained from shouting "Death to the lackeys of capitalist imperialist warmongering pig-dogs," mainly to avoid shocking my secretary sitting next-door. JAA sees conspiracies everywhere he looks. The level of evidence he seems to require for such accusations is so low that anyone could be implicated. It is well established that neocolonialists have utilized the military effectively in maintaining control over former colonies. Thus all employees of any military institution are necessarily suspect. Not finding any reference to capitalism in my paper, he re-reads the paper inserting capitalism into my text at an arbitrary spot so as to get the opportunity to attack his favorite windmill. Since Islamic Economics is a capitalist conspiracy by definition, it is necessary to exonerate our "hero", Maulana Maudoodi (MM), from any participation in the area of Islamic Economics. How this can be done given that MM has authored books and essays on the subject is a mystery to me. It remains a mystery despite what JAA says on the subject.

I believe we have substantial difference of opinion regarding the causes of the decline of the Ummah and also regarding appropriate paths to solving these problems.

Figure 1. Transaction pattern and its *players* [3]

An *actor* is an organization or person that plays a specific role in a transaction. An *actor* may play multiple roles in different transactions. Customer, transporter, booking clerk, or employees are *participants* that represent roles played by actors.

The dependency among the *players* of the transaction pattern is a faceted classification that makes identification of a *player* easier given an earlier related identified *player*. That is to say, once a *transaction* is identified, the process of identifying *players* related to it then becomes easier.

IV. The Derivation Process

Our objective is to derive the initial data warehouse structure by mapping an operational database on to the transaction pattern. The operational database used in this case study is

JAA ‘hates’ the enemy and wishes to ‘destroy,’ ‘kill,’ bring “Death to Islamic Economics,’ and ‘struggle for the total and final destruction of the global capitalist order.’ My own view is that the capitalists cannot do any harm to us. I reflect that our Lord God Allah has said. “And (the unbelievers) plotted and planned, and Allah too planned, and the best of planners is “Allah” (3:54) (See also 8:30). This reassures me that I need not worry about the strategies of the enemies of Allah, for I have supreme confidence in the strategies of my God. Even if all our enemies combine and plot against us, they cannot cause us any harm except by the Will of Allah.

Allah T’aala alone is “An-Naafey” and “Adh-Dhaarr”, the One who gives profit and the One who can do harm. Allah tells us not to worry about the deceptions of the enemy, for Allah is enough for us. He also tells us that the right counter strategy is to unite ourselves:

“And should they seek but to deceive thee [by their show of peace] - behold, God is enough for thee! He it is Who has strengthened thee with His succour, and by giving thee believing followers “(8:62)” Whose hearts He has brought together: [for,] if thou hadst expended all that is on earth, thou couldst not have brought their hearts together [by thyself]: but God did bring them together. Verily, He is almighty, wise” (8:63).

I do not find anything exceptional, surprising or conspiratorial in the efforts of the capitalists to do their best to extract the maximum amount of profit from all of the world without regard to morals or environment. This is only to be expected from those who have forgotten Allah and the Akhirah. Our prophet was sent as a mercy to all the worlds. He faced even more deadly opposition than what we face now. His heart was so full of sorrow at the fate of those who rejected guidance that Allah t’aala had to console him. In following his footsteps, we must have mercy in our hearts towards those who have not been blessed by Guidance from Allah. We must reach out to them and seek to persuade them to be better people. This was the great miracle of our prophet: He took a people who used to bury their daughters alive and behave in other barbarous ways, and made them examples of excellent moral behavior for all time to come. Our challenge is to replicate this achievement today.

V. Obstacles to Growth of Islamic Economics

To find a way forward for Islamic Economics, we first take stock of the obstacles to its development. Those who have professional training as economists work within the umbrella of the mainstream traditions. They make modifications to conventional economics only in minor ways, and never challenge the fundamental assumptions and methodology of economics. In this way it is possible for them to publish papers in mainstream journals, engage in dialog with conventional economists and also maintain the value of their investment in learning the apparatus of conventional economics. Most of the existing literature in Islamic Economics generated by Muslims trained in the West is of this nature. It is tame and timid, remaining within the bounds prescribed by Western orthodoxy. It does not have the revolutionary character required of a truly Islamic economics. On the other hand, typical experts on Islam and the Ulema, who are not professionally trained in contemporary economics hesitate to speak on economic issues. When they do speak, they often make elementary errors, because of their lack of training. Thus non-professionals cannot be expected to be leaders in the movement to create an Islamic Economics. This creates a serious difficulty. Who will start this movement, and who will carry on this revolution in thought?

After thinking through a large number of alternative strategies, I have come to the following conclusion, which is not shared by many: We should target only a Muslim audience, and not seek converts among Western economists actively. Since most people working in the field of Islamic Economics would not agree, let me explain the reasoning in more detail:

1. It is not in the interests of Western economists to allow Islamic Economics to emerge as a dominant point of view, or even as a viable alternative. There is a naïve point of view that if we introduce the Truth (“Haqq”) it will naturally dominate the Error. The

history of thought shows that this is not the case. The dominant theories in economics have always been strongly driven by ideologies. None of the numerous important insights that Marxist economics has to offer about the workings of an economic system have been incorporated into neoclassical economics. In the same way, only those aspects of Islamic Economics which fit into the conventional framework will be allowed an open hearing within Western academia. This tailored and tamed version of Islamic Economics will actually be harmful to the cause, by diluting the revolutionary impact of the alternative worldview and framework that Islam has to offer.

2. In contrast, the Islamic world would welcome a rigorous intellectual discipline which challenges conventional Western ideas. If we seek an audience among Muslim intellectuals and more generally, the developing world, we will find ready listeners. The economic interests of the poor and the oppressed are the main concern of Islamic economics, and they have a natural interest in listening to its message.

3. When addressing a Muslim audience, we can speak and develop the discipline of Islamic Economics in a natural way, quoting from the Quran and the Hadeeth and our texts. When a secular audience is addressed, then the discussion of Islamic Economics becomes strained and unnatural. Zakat may be referred to as a tax, and the issue of why or whether it is fixed at an optimal rate will need justification or explanation. Similarly, key concepts which can be taken for granted with a Muslim audience will require justification or explanation. This impedes development of a Muslim point of view, which is distinct from and offers a genuine alternative to conventional views. Most authors trying to develop Islamic Economics within a Western framework spend a lot of energy attempting to express Islamic concerns in a way which would be acceptable to a secular audience.

For these three basic reasons, I believe that it is essential that we develop Islamic Economics entirely within an Islamic framework, keeping a Muslim audience in view, and tying up to our own traditions. The branch of Islamic Economics cannot be grafted onto the tree planted by Adam Smith. Rather, we must develop the discipline on the grounds that our own intellectuals have worked and tie it to the tradition of Muslim scholarship. Once this fundamental issue is clear, the requirements of bringing about the required changes emerge in the light of this goal. These are discussed in the next section.

VI. Strategy for Development of “Islamic Economics”

In light of the above comments, how can we develop a feasible and effective strategy for developing a new discipline? This issue is developed here.

It is important to note that the development of social sciences, and the demarcation of the various fields in the West has been shaped by historical accidents rather than logical necessities. As an egregious example, the discipline of economics scrupulously avoids studying the extent to which the acquisition of natural wealth adds to human satisfaction, even though this seems to be at the heart of the subject. This study is relegated to the domain of psychology, and economists do not concern themselves with

it. Similarly, interactions between political power and economic power are not considered to be within the discipline of economics. There is no need for us to be bound by these artificial separations when we develop a new discipline afresh. Islamic economics is bound to be multidisciplinary in nature. It has been argued by a philosopher of science (‘‘The History and Philosophy of Social Sciences’’, by Peter Manicas) that in emulating the physical sciences, Western social science as a whole took a wrong turn. The axiomatic method, which reduces complexity to a few mathematical formulae in physics, does not work very well in social science. Human behavior cannot be reduced to simple formulae, and needs to be studied in a historical context. Economists do not do this, again due to historical accidents which shaped the emergence of this discipline.

In developing Islamic Economics, we would be guided by the following fundamental precepts.

- **Rejecting the failed philosophy of Positivism** (and the entailed positive/normative distinction), we would build all knowledge on the solid moral foundation of Islam. Note that this is a radical methodological departure from Western science, which does not allow morality a role in knowledge. On the other hand, the central message of Islam is moral. This is another reason why it is essential for us to start afresh, rather than attempt some compromise with Western disciplines. Tawney has given a sketch of how morality was filtered out of Economics in the West. Islamic Economics will put morality back into economics
- **Islamic Economics will have a multi-disciplinary nature.** We will consider all aspects of the question of how material wealth interacts with political, social and cultural aspects of society.
- **The theory of Islamic Economics will be derived as much as possible from our own sources** – theological teachings, as well as the historical experience of the Ummah and how it has been interpreted by our Ulema. New developments will require new theories, but these must conform in spirit with the broad historical perspective and worldview of Muslim philosophers.
- **The empirical base of Islamic Economics will derive from a study of economic history**, especially the economics of Muslim countries from the early times to the dark ages of colonialism.

All four of the precepts above represent radical departures from conventional economics and could not be accommodated within a Western framework, again highlighting the necessity of developing an independent Islamic framework.

In order to achieve these goals, we will need the cooperation of the Ulema, who are experts in conventional Islam. It will be necessary to build bridges with traditional madrassahs and induct some of the brighter madrassah students into our programs. In addition, we will need some professionally trained economists who have seen through the neoclassical paradigm and rejected it. There are many such economists – indeed, there is an association URPE (Union of Radical Political Economists). From among these economists, we need either Muslims or at least those without antipathy to religion – this

is because unconventional economists are dominated by leftists, most of whom reject religion. Despite the fact that this severely restricts the type of people we are looking for, the pool of Western trained economists is large, and many who would satisfy our criteria could be found. The problem will be to attract them to participate in the program of developing a new field and paradigm for economics. I have outlined a sketch of a new paradigm which would be in conformity with Islamic views in my paper "Towards a New Paradigm in Economics" published in vol 18, no 2 of the Journal of King AbdulAziz University 2005AD/1425AH. See also my response to comments on this paper, which is downloadable from my website <http://iiie.iiu.edu.pk/asad/default.htm>. In addition to economists, we would like to attract historians and other social scientists who have a broad perspective, Islamic sympathies, and are dissatisfied with the state of conventional social science and its built-in Western biases. Again there would be many people who would satisfy this description.

The whole program requires putting together a team which is motivated to work together along the directions indicated. Inputs from several sources will need to be melded together to produce new vision and direction required for this development.

Contrary to what materialistic views suggest, leadership is not given to those with the most money, but to those with the highest moral standards. The West has suffered from a serious decline in morals, documented by many writers (see "Humanity: A Moral History of the 20th Century" by J Glover and "The De-Moralization of Society: from Victorian Values to Modern Virtues" by Gertrude Himmelfarb, for example). To recapture leadership, it will be necessary for Muslims to acquire the same moral characteristics developed in the Companions via the training of the Prophet (s.a.w.). This is the main challenge facing the Ummah. Moral leadership will be concomitant with leadership in all dimensions, including intellectual leadership which is the subject of the present discussion.

VII. Concluding Prayer

May Allah grant us wisdom from His treasury of wisdom; those who are blessed with Hikmah have been given a great bounty from Allah. May Allah give us the strength to follow His commands, regardless of what the fashion of the times dictates, or the blames and accusations of the faithless. May Allah fill our heart with the light of faith, and love of Allah and His Prophet and for the struggle to establish His Deen. All praise is for Allah alone.

