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Economic Thought of Muhammad Abduh: An omitted aspect of his biography*

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Abstract

Mufti Muhammad Abduh (1849-1905), a graduate of Jāmi‘ al-Azhar, was harbinger and precursor of Islamic modernism. He attracted attention of maximum number of researchers on modernism in the Muslim world. His contributions to *fiqh*, *tafsīr*, *tawhīd*, literature, educational reform and politics are well known. He also thought and wrote on economic problem. He is one of the pioneer ‘*ulamā* in the modern period who paid attention to this aspect of human life. He had deep concern for the poor; he opposed bonded labor and stressed upon the obligations of the rich towards the poor. He pointed out that the concentration of wealth caused the lack of effective demand. He gave wide meaning to the term *fī sabīl-Allāh* and *al-afwā*. He permitted insurance on the basis of *muḍārabah*. However, this aspect of his biography remained neglected. Ironically, the only thing reported about his economic views is ‘his permission of interest earned from the deposits in post offices’ for which no evidence is available in his writings. The present paper discusses all these points.

Keywords: Jamal al-Din Afghani, Economic History of Egypt, Muslim Economic Thinking in the Nineteenth Century, Abduh on Insurance, Post office interest.

1. Introduction

Al-Azhar Mosque University (Jami‘ al-Azhar) is the oldest and most renowned seat of Islamic learning and education in Egypt. Until the nineteenth century, it had been very faithful to its past pattern and courses of studies. It was hardly affected by the developments that were taking place elsewhere in the world in social and natural sciences.¹ In general, its teachers ceased to produce original work. The overall environment was that of imitation and repetition. Writing a commentary or commentary over commentary, on an earlier work, was considered a great achievement. There was dearth of creative and innovative writings.

However, some of its graduates were ignited with new spirit of change and reform when directly or indirectly they came across modern world of learning in theory and practice. Muhammad Abduh was one of such graduates of al-Azhar. He wrote and talked about various economic issues faced by the Egyptian society of nineteenth century. But his biographers have hardly taken the notice of his contribution to this aspect of life. The present paper aims to fill this void.

2. Life and work

Muhammad Abduh (1849-1905), a harbinger and precursor of Islamic modernism, is one of the most discussed Muslim scholars of the nineteenth and early twentieth centuries. Some Westerners who came into contact with him also had high respect of him.² Born into a family of farmers and educated in traditional *madrasahs* and at al-Azhar Mosque, from where he graduated in 1877. The following year he was appointed a teacher in history at Dār al-‘Ulūm, a modern educational institution. At the same time he was also appointed instructor in Arabic in Khedieval School of Languages.

In 1871, Jamaluddin al-Afghani (d. 1897), the great revolutionary of the nineteenth century, moved to Egypt and began preaching his ideas of political reform. During his stay in Egypt, he influenced a large number of Egyptian scholars, journalists, political activists and reformers, the most distinguished among them was Muhammad Abduh. Al-Afghani's discipleship brought about a revolution in Abduh's thought and action. In 1879, Al-Afghani was exiled due to his radical ideas. His student Abduh met the same fate when in 1882, due to his involvement in the Urabi Revolt, he was exiled to Syria, staying in Beirut. After another two years Abduh joined his mentor in Paris where the two jointly founded a society, named *Jam‘īyat al-‘Urwat al-Wuthqā* (The Society of the Indissoluble Bond), the aim of which was to unite Muslims against colonizing forces. All members of the society bound themselves by an oath of allegiance. They also published a magazine in Arabic bearing the name of the organization.³ As the magazine made a spirited call for unity of the Islamic people against the encroachment of the West, its entry was banned in Britain and in countries of her influence such as India, Sudan and Egypt. While in Paris, Abduh learned the French language so as to benefit from the literature available in this language. During his stay in Paris, he toured England for a short period to plead the case of his country's freedom. He also visited Oxford and other educational institutions. He gained the acquaintance of a number of European scholars and their works.⁴ From Paris he also visited Tunis and some other countries.

After parting from al-Afghani in 1885, Abduh went to Beirut where he worked as a lecturer for four years in al-Madrasah al-Sulaymaniyah. During his stay there he authored his famous work *Risālah al-Tawhīd*.⁵ He was permitted to return to Egypt in 1889, at a time when the British authorities began to feel that their position was somewhat more secure. Upon his return to Cairo, Abduh was appointed judge in a native court. Six years before his death, in 1905, Abduh was

chosen as the Mufti of Egypt and attained, in consequence, a position of some power and much influence.⁶

After departing from al-Afghani and returning to Egypt, Abduh was completely changed. The new Abduh, instead of a revolutionary and an enemy of the British, was now a friend and compromising with them. In the opinion of Ahmad Amin⁷ he was now most similar to his contemporary reformer Sayyid Ahmad Khan⁸ in India. Indeed, Amin presents an interesting comparison between the two.⁹ Both were in favour of compromising with the British dominants of their country. They held that nothing could be gained through clash with the ruler. They advocated modernity and reform in the educational system. For this, both faced tough opposition and hostility from their countrymen. In spite of so many similarities, in the opinion of Mahmudul-Haq however, "there was one significant difference between the attitudes of these two reformers: Sir Sayyid Ahmad Khan, intensely impressed by the West, was in favour of borrowing the values of the latter unquestioningly, so that his opponents labeled him as "*nechari*" (follower of Nature').¹⁰ In comparison, Abduh was more tied down to traditional forms". Abduh also tried to reform instruction at the Azhar Mosque-University, but was not very successful. However, he did encourage many of the students there to widen their current thinking.¹¹

Abduh was a great friend of the poor. He was known as the 'Father of the Miserable,' and his residence at Ain Shams was called 'the refuge of the unfortunate' where all sorts of needy people would flock for help and solace.¹²

In addition to his *fatāwā*, commentaries, and a large number of articles, the following are his two most important works: *Risālat al-Tawḥīd* (Theology of Unity; first edition, 1897),¹³ and his Commentary on the Qur'an known as *Tafsīr al-Manar*.¹⁴

3. The economic thought of Muhammad Abduh

His views on real poverty: Egypt has traditionally been an agricultural economy. Since ancient times it not only fed its own population but that of the neighbouring countries as well.¹⁵ During the early nineteenth century, Muhammad Ali took various steps to develop it which resulted in rapid increases in production. However, by the end of the century, due to the wrong policies practiced by its rulers, Egypt's economic condition deteriorated: so bad was the situation that agriculture reverted to a position sixty years previous. However, although the political situation that had led to a worsening of the economy soon changed, the Egyptian farmer did not change at all. In January 1881, Abduh wrote a series of articles entitled "*Ḥubb al-Faqr wa Safh al-Fallāḥ*" (Love of poverty and the foolishness of the farmer) in which he emphasized agricultural modernization. He criticized those farmers who stuck to the same old habits of avoiding labour, fleeing from the land and leading lazy and idle lives in the changed economic and administrative conditions. He exhorted them to take full interest in agriculture and to work hard on the farms. In this way, he argued, they would benefit themselves,

their families and the country as a whole and especially in light of the fact that the then government's policy was: 'agricultural produce is for agriculturists.' The days had gone when farmers had to work as forced labour receiving only subsistence wages whilst the entirety of their production was appropriated by the elites.¹⁶

In his article *Mā huwa al-faqr al-ḥaqīqī fi 'l-bilād* (What is the real poverty of the country) which he published the same year, Abduh observed: 'Agriculture follows its old patterns, there is none to adopt new methods to enhance production, or to facilitate the work, and lessen the labour. There has been a reverse in development. Some of the crops grown in the old days, have ceased to exist, such as flax, sesame, etc. It is now limited to a few varieties. Industry has declined to such a state that it was more than sixty years back. Trade has not changed from the situation at which it was when Egypt became Egypt. Very few Egyptian natives have big trading houses, if not to deny the same altogether ...'.¹⁷

Abduh maintained that Egyptian land is very fertile and productive. It can grow most species which are grown anywhere in the world. Furthermore, its environment and vegetation are best suited to all kinds of wild animals. However, such natural qualities and abundance is not enough. It needs labour and the use of best techniques to utilize it. This is the real poverty, and it is difficult to cure. Natural resources are useless if they are not exploited. Opportunities have no benefits if they are not availed. A country's poverty is its lack of rational and developed human resources. Its real wealth is the existence of a larger number of qualified personnel.¹⁸

His concern for the poor and down-trodden: Abduh belonged to a family of farmers who has seen and experienced poverty and misery. He fully understood the problems faced by the poor. He always tried to inculcate among the poor true economics. In his writings, he encouraged them to develop the habit of saving, to avoid extravagance, and pay attention to investments. His articles in *al-Waqā'i al-Miṣrīyah* (The Egyptian Gazette) show his deep concern for the poor. In essence, he was worried about the miserable condition of the Egyptian *fellaḥ* (or *fallāḥ* meaning farmer).

In 1880, Abduh wrote: "there was a time when the people of our country were burdened by unbearable monetary obligations. There were various kinds of land taxes. These were constantly renewed with every new month and year. There were many illegal charges levied on persons and their relatives, endless and without limit, till they reached such an extent that it became impossible to pay them. For these oppressive taxes there was no time or fixed rule. They were based on the ruler's unpredictable desire and will. Sometimes people were forced to pay the entire annual amount that fell due in the first month of the year. Sometimes, the next year's due was demanded in the middle of the current year. There was no way to escape the payment. If someone delayed, he was beaten to death or imprisoned for life, or deprived of everything from his hand, and so on and so forth. The only way out was to take refuge with traders and bankers who were

actually at that time the greatest supporters of tyranny. They knew these people had to pay taxes anyhow, so they just charged interest as high as they liked. If the trader advanced a loan of 60 just 20 days before the harvest, he would charge 100 at harvest time, which meant monthly about a 100 percent increase. The bank charged 10 percent per month. Some lenders doubled their loan amounts in four months. These people are still alive and they can stand witness to the same. No doubt that period was a curse for the government and the people. The only fortunate who enjoyed spring were traders and aliens money-lenders who spread themselves out between sons of the soil like wolf among the sheep. They overburdened the farmers and other inhabitants of the country with horrible debts, and forced them to sell their property and pledge their buildings and lands as security or give them up forever. Thus, poverty surrounded them and they lived in the worst kind of condition.”¹⁹

Abduh thanks Almighty Allah that “now (in 1880) the situation has changed. People’s burden has been decreased and most of illegal taxes have been cancelled. The charges have known limit and time, according to the seasons of the year when agricultural produce is ready.”²⁰

Abduh expressed his dismay, however, that people were not benefitting from the then prevailing good condition. In other words, they had not changed their life styles. It was hoped that they would adopt a rational economic way and have their pledged properties and farms released. But instead of availing themselves of the opportunities and reforming their habits and way of living, they had fallen into extravagance, luxurious living and showing off. They were still borrowing from the banks, pledging their lands and buildings and paying interest manifolds.²¹

On another occasion, he reminded the rich that they should recognize their responsibilities towards the country and its people and to rise up against those forces that were trying to dominate Egypt. Such domination would harm the rich, not the poor, as the majority of them were labourers and workers; they had nothing much to lose.²²

The abolition of bonded labour: Abduh appreciated the steps taken by Riyad Pasha²³ in abolishing the bonded labour and serfdom of farmers. Before his reforms, the Egyptian people were forced to work in public utilities without any payment. They were also beaten and humiliated; sometimes a farmer would be beaten just for the fun of it. Neither food nor shelter was provided to workers. Riyad Pasha not only abolished forced labour, he also provided subsidies to farmers and the just sharing of the Nile’s water. Within just a few months of his ministry, he abolished more than 30 kinds of taxes. These steps provided a much needed boost to economic activities.²⁴ The labourer, after knowing the wages and hours of work, was free to accept or reject the same; this is the general rule about wages and working hours. There was no reason for any employer or employee to have any dispute before they entered into any contract of work.²⁵

The real meaning of the economy: After comparing the exploitative economic environment of the past and the then prevailing congenial and co-operative conditions, and then comparing the once miserable condition of the people and their current behaviour of extravagance and luxurious living, Abduh visualized how to live a healthy economic life. In this connection he first explained the concept and definition of economics from an Islamic point of view. He said: ‘Economics or moderate living is one of the best qualities of humankind, rather the most important one. It has been praised by all legal systems (*al-Sharā’i*) and its benefits have been emphasized. It is the sum of two things: spending and thriftiness. I mean, economics is a moderate way of spending in such a way that the rich man should not stretch his arm fully (in spending) so that nothing is left. Nor should he contract his arm completely that he spends nothing. He should spend money according to the situation, giving priority to the most important and the next important. He should structure his spending according to the level of his resources, keeping a portion of it, as a precaution against unseen incidences. The occurrence of such unexpected needs is very common in man’s life.’²⁶ This is reminiscent of what Keynes later termed as transaction and precautionary motives for saving, although the context is different. Abduh himself is not explicit about the speculation or investment motive.

In this connection, Abduh gives a good explanation of the Prophet’s (pbuh) saying, “*Al-iqtisād* or moderate spending is half the economy”. According to Abduh, ‘the economy is based on two things, earnings and spending. For the one who earned money; he has achieved one of the two. If he has also wisely spent it, he has completed his economic function.’²⁷

Abduh further explained it as follows: ‘One who struggles in earning money and does not spend in his requirements of life, like food, drink, clothes, shelter, etc. or he spends very little which does not fulfill his needs, such a person is really poor even if he has a lot of money and property. He is like a servant whose duty is to collect money only, nothing belongs to him. Similarly, if he violates the reasonable limits of expenditure and goes on spending on unnecessary objects, such a person will remain very poor in spite of his huge income. The same is made clear in the Qur’anic verse (17: 29): “And let not your hand be chained (like a miser) to your neck, nor stretch it forth to its utmost reach (like a spendthrift), lest you sit down blameworthy and destitute”’. Abduh then lamented that his fellow countrymen were mostly divided between misers and the extravagant, just the opposite of what the Almighty Allah had warned of.²⁸ Abduh admonished the bad economic consequences of the two extreme behaviours and advised them to follow the middle path.²⁹

The need for relevant education and training: In 1310/1892 *al-Jam‘īyat al-Khayrīyat al-Islamīyah* (the Islamic Charitable Society) was established with the objective of promoting education and other socio-cultural services among the Egyptians by establishing schools and training houses. In 1318/1900, Abduh was elected its president. In the opinion of Abduh, the government schools and those established by the British aimed at preparing bureaucrats who could serve as

instruments to the government machinery. This kind of education was confined to the children of the elite class. Abduh was in favour of education for all, especially to the children of the middle and lower classes - artisans, merchants, manufacturers, menial servants, etc. so that they could do their jobs better and more efficiently and so that they could improve their lot. In one of his presidential addresses to the *Jam'īyat*, he emphasized that he wanted to remove the misconception that education is meant only to serve the government. His school's objective was to prepare students in such a way that they could not only perform their family jobs in a better way but also live honest and confident lives. He affirmed, 'We do not teach foreign languages because we are not preparing our students to get degrees and join the government's services; we prepare our students to do their own jobs, to be professionals and industrialists. This education is for everyone in the country' (*Ta'lim awlād al-Fuqarā'* (Education of the children of the poor). This speech was delivered in 1900 and again in 1903.³⁰ Although Abduh was a vehement critic of Mohammad Ali, he praised him in matters of education, as this was available free of charge during his reign till 1882. The net result was the production of really educated people, the majority of whom were poor people.³¹

Obligations of the rich towards the poor: Abduh enumerated various causes of poverty such as weakness and inability to earn, lack of effort, idleness and unemployment, and unawareness of methods that may lead to enhancing income. In his opinion, the rich can remove some of the obstacles in the way of the poor. They can remove unemployment by creating jobs and work for the welfare of the poor, abolish ignorance by spending money on education and training. As poverty of the poor is by the will of God, so it is His will that the rich endeavour to remove such poverty and help the poor.³² In his article "*al-Waṭanīyah*" (Patriotism) Abduh emphasized cash endowment.³³ He presented the example of a rich person from the island of Sakiz³⁴ who had dedicated all his wealth for the general welfare of his country, and out of which a major portion was to be spent on the schools of that island. A portion of it would also be used for hospitals and clinics where the poor and orphans would be treated.³⁵ By this example, Abduh encouraged the rich of his country to recognize their obligations towards their fellow countrymen, the majority of whom were illiterate and poor. "Why should we not learn lessons", he wondered, "from such good precedents that occurred from the inhabitants of a tiny country, which recently saw the light of civilization ...?"³⁶

Abduh considered property as a social function. In this respect, one who owns property has an obligation towards the have-nots and society as a whole. Wealth is a trust in someone's hands; one can benefit from it, but at the same time it is obligatory upon one to take care of other members of society who are in need. In his commentary on *Sūrah al-Nisā'* verse 29, he observed, 'Allah has related wealth to all. He did not say: "Don't eat each other's property" to draw attention towards sponsorship/solidarity of the ummah in her rights and interests. It is as if He says that the property of each of you is the property of the ummah'.³⁷ In his

opinion, Islam has imposed public rights on one's property, the observation of which makes a truly noble balanced socialist life. In his commentary on *Sūrah al-Baqarah* verse 177, he stated that giving money here does not mean *zakāh*. It is something other than *zakāh* but a pillar of piety made obligatory in a similar way to *zakāh*. This one does not have a *niṣāb* (minimum exemption, limit); it has to be spent according to one's financial status... Nor has it a fixed time like *zakāh*, nor does it have a fixed rate like one tenth or one twentieth. It is an absolute order (commentary on *Sūrah al-Baqarah* verse 177).³⁸ Here he seems to have been influenced by Ibn Taymiyah who observed the same monetary obligations on one's property other than *zakāh*.³⁹

Concentration of wealth causes lack of effective demand: From his early life, Abduh saw how wealth was concentrated among a very small number of people and alien foreigners. The majority of the population had very low purchasing power. Because of this there was a lack of effective demand, which resulted in depression in the agricultural, trade and industry sectors. According to Abduh, concentration of wealth is harmful to the whole country including the rich themselves. The reason being that wealth remains in a few hands who have limited wants. So, due to lack of demand for goods, the market is depressed. Poor workers, not being the owners of agricultural farms, lack interest in their work. Thus, their efficiency is affected.⁴⁰ In his *Tafsīr* of *Sūrah al-Baqarah* verse 275, he remarked: 'The reason for frequent strikes and lock-outs is that labourers are not getting due value for their work. They receive less than what they are entitled to'.⁴¹ In this way, Abduh expressed his disenchantment against the control of wealth by a few rich people, while the majority suffer and are sometimes deprived of subsistence.

Piecemeal charity is not enough: Abduh observed that most people are careless about the fulfillment of others rights, a requirement much emphasized in the Holy Qur'an. In other words, they don't spend on actual needy people. They sometimes give piecemeal charity to beggars who are really the least deserving as they have made begging their profession though they have resources. If the rich could establish public charities, the economic condition of the Muslims would be amongst the best of all nations. This would then attract people to Islam.⁴² It is clear from the above statement that he is in favour of organized charity for public purposes, and strictly opposed to professional beggars, who are mostly non-deserving. In 1880, he wrote: 'the most happy and prosperous countries are those where wealth is distributed to the majority of the people'.⁴³ In this way, we find that Abduh responded to the calls of the time through his Islamic heritage, and did not merely copy Western philosophy.

The need for entrepreneurship and risk taking: In one of his articles, Abduh argued for risk taking and entrepreneurship to develop and strengthen oneself economically. He stated: 'It is known to wise men that to preserve and grow one's assets a man needs to protect it from the clutches of grabbers and earn profits through various transactions and exchanges. If he refrains from investing it in enterprises to make it grow through earning profit, as being afraid of certain risks

and goes on spending on various requirements of life, soon he will find that his entire asset is finished because of regular expenditure and not trying to replenish it. Thus, a person fearful of poverty, is caught in poverty'.⁴⁴

4. On Egypt's indebtedness

In his efforts to modernize Egypt as also for his own expenses, Khedive Ismail (1863 –1879) borrowed unwisely from European countries, mainly from Britain and France. As a result the lender countries openly interfered in Egyptian affairs. This indebtedness of Egypt was considered by Abduh as the most unfortunate situation that had prevailed in the previous government. He expressed his great relief and delight on the settlement of debt by Ismail's son Khedive Tawfiq (1879 –1892). Abduh considered it a day that marked the beginning of Egypt's happiness and one that needed to be celebrated.⁴⁵

Abduh criticized the government on its unrestricted foreign borrowings that had led Egypt to bankruptcy during the reign of Khedive Ismail. To meet these expenses, he had resorted to all kinds of tyranny and oppression. On the pattern of their ruler, officials also borrowed money at exorbitant rates. Lender's demands doubled in three months, and so these usurers got full control over the people.⁴⁶ Abduh admired Ismail's successor Khedive Tawfiq stating, "he is not greedy and covetous, rather he is kind hearted and pious. There is much hope in him for those who want to reform the situation."⁴⁷

Abduh was against the waste of public funds. He advocated a sound policy of public expenditure. 'I wish that no penny of our country's public income be spent except where it benefits the country. Rather, I wish that the benefit is greater than the cost',⁴⁸ suggesting a cost benefit analysis. He lamented that due to the unjust behaviour of past rulers and their extravagance, the major part of Egypt's income had been spent on the repayment of foreign debts.⁴⁹ 'I am pained', he observed, 'when I see the autocracy of rulers and the absence of any system of revenue and irregularity in dealing with it, defects in local bodies, and the harm received by the people from various committees. I also notice with grief how usurers approach the farmers to devour their hearts - they lend them 100 to collect 200 in 8 months'.⁵⁰ He expressed his sorrow on seeing that most of Egypt's domestic industries which were the income source of the majority of its inhabitants being neglected and blotted out. The workshops, which Muhammad Ali had established with the country's income, had been destroyed. He wished to see those industries revived, especially with regard to the development of agriculture and industry.⁵¹

Requirements of development: According to Abduh, respect of the law of the land helps in the development of a people and its economy. This is especially so when the law guarantees the fulfillment of the rights of all citizens, providing freedom of work and ensuring justice.

In his article *Khata' al-'Uqalā'* (Mistake of the Wisemen) he reminds his fellow Egyptians of how they like and appreciate the American democratic system

and that of prosperous European countries, yet they do not themselves try to establish the same system by preparing the ground necessary for similar development.⁵³ On another occasion, Abduh exposed his fellow countrymen's misconceptions about European development and their imitation of the same without having passed through the stages of preparation as Europe did. According to him, Europe achieved its then present stage of development after a continuous struggle lasting generations. In this connection, he reminded people of how European nations had benefitted from the East when they came into contact with these cultures during the Crusades. In his opinion: 'It was the Crusades that taught European nations how to travel through land and sea. When they mixed with the people of the East and thought to conquer them, they examined the secrets of the latter's strengths. They found that they had good characters and high thinking. Their scope of activities was also very far and wide. There was freedom of industry and occupation. It was for this reason that richness and honour overshadowed these countries. It was then that Europe started to follow their lead, not in decoration and shining but in their causes and means, in expansion of industry and commerce and similar occupations'.⁵⁴ Abduh lamented the wise men of his own age, and remarked that instead of finding and following the way through which Europe had reached its then stage of development and prosperity, they had taken pride in imitating the life style of these Europeans, trying to enjoy the fruits of their progress. He advised his people to follow the way of Europeans' development by establishing the primary institutions for justice, equity and democracy, improving education, and building character. He reiterated: 'If our people proceed in this way, the world will look upon us with respect and we can reach that stage of development they have attained but in a much shorter time than they did'.⁵⁵

Reflecting on laws and their suitability in a particular economic condition, Abduh observed that there was a time when people in Egypt were unaware of their own interests due to ignorance. Thus, they were not prepared to engage in agriculture in spite of having all the means available for it. They were not aware of the value of their property, and many wished to transfer their property to somebody else so that they were not liable for paying taxes. Such people did not stay very long in one place, so that the tax collectors could not catch them. They always remained on the move, going from one place to another. They were afraid of agriculture and its resources. At that time, the government was forced to press residents to own the land and cultivate it; severe punishments were prescribed for not abiding by this law. When the tax collector came, however, they fled away or filled the prisons. This situation continued for some time until people became conversant with cultivation, and the ways were paved for agriculture. Use of its equipments became convenient. Thus, people stayed on their lands, and concentrated on their cultivation, the least of their worries being government levies, as they realized the importance of agriculture and competed in its productions. Naturally, with changes in economic conditions, the laws were also changed to suit new situations.⁵⁶ In this statement, Abduh sheds light on how Muhammad Ali started his land reforms, and the success achieved in later periods.

Abduh praised American President Garfield's personal character, his possession of vast knowledge and hard work for the benefit of his country. These were the characteristics that encouraged every person of his country to strive for real greatness, using their brains for the betterment of the economy and the welfare of the two worlds (this life and the hereafter), adopting rational behaviour and using all the resources which Almighty Allah has created for the benefit of mankind.⁵⁷ Abduh accepted that the appearance of France and Britain on the Egyptian stage was highly beneficial for Egypt, as they put Egypt's financial system on the right track.⁵⁸

In one of his articles Abduh compared Egyptian society with that pertaining in Europe. He demonstrated how Europeans, when they sit together, discuss the economic feasibility of certain projects. For example, how they reached their conclusions, after surveying various countries, to establish banks in Egypt: they saw how the farmers, in spite of having rich fertile land at their disposal, were in the habit of too much borrowing because of their irrational and foolish behaviour and not utilizing the opportunities available to them. He expressed his hope that his fellow countrymen would learn lessons from his account of these two civilizations, and reform themselves so as to live a respectful life.⁵⁹

The scope of *fi sabīl-Allāh*: The Qur'an frequently commands believers to spend *fi sabīl-Allāh* (in the way of Allah). Thus, *fi sabīl-Allāh* is a Qur'anic term. Many people, however, take it in a limited sense. But Abduh considered it as very broad and wide-ranging. While interpreting the word *fi sabīl-Allāh* in *Sūrah Baqarah*, verse 261, he stated that it is a very comprehensive term which includes all kinds of public interest (*al-maṣāliḥ al-āmmah*).⁶⁰ It should also be noted that the term has come in *Sūrah al-Tawbah* (9: 60) to describe the head of *zakāh* expenditure. In the twentieth century, some controversy arose about the connotation of this term and scholars were divided between those who took it in a very narrow sense and those who gave it wider meaning. Abduh belonged to the latter group. In fact, he may be considered the forerunner of this group. Similarly, in his commentary on *Sūrah al-Baqarah* verse 3 "... and they spend from what We have bestowed upon them", he stated: 'This does not mean what one spends on one's family or guest..... as this is not a symbol of belief in an unseen God. It means spending upon the poor, with the feeling that Allah has favoured one with all sustenance, and the poor is also His slave like himself... or spending with the feeling that the public interest cannot be served without spending money and Allah has made it obligatory on the well-to-do to spend on this head from his their wealth. Surely it is the best of Allah's ways...'.⁶¹

Meaning of *al-afw*: *Al-afw* (surplus) is also an important term in Qur'anic economics. In his commentary on the *āyah* "they ask thee what quantity they should spend? Say whatever is surplus..." (2: 219), he says that the Qur'an uses the word *al-afw* (whatever is left or surplus) so that each people in every age can decide what is required in those circumstances. Furthermore, the address is not only to Arabs but to all forthcoming nations. This spending is not obligatory *zakāh*, rather it is voluntary expenditure on people and public interests. He

reiterated that a nation of one million would be better and stronger if they spent on the public interest from their extra money than a nation of a hundred million who spent nothing on such heads from its surplus.⁶²

Insurance: Modern insurance, now called in Arabic as "*ta'mīn*", was mentioned for the first time in Islamic sources under the name *sūkarah* (security), by the Hanafī jurist Ibn `Abidin in the 19th century. In the year 1240H (1824/1825) his opinion was sought about a kind of insurance in which one party gets protection from risk of robbery or piracy on payment of premium. He tried to solve the problem within the framework of opinions expressed by the past jurists.⁶³ As he was opposed to *ijtihād*, he did not think over the problem of insurance independently. Had he done so, he must have reached to some of the conclusions to which scholars of twentieth century did in their discussion of *tamin*.

Rifā'ah Rāfi' al-Tahtāwī (1801-1873), an Azharite scholar, who lived in France for five years during 1826-31, gives an account of insurance which is called by him as "partners in guarantee" (*al-shurakā' fi'l-ḍamān*). This association guarantees to those who contribute to it in case of a calamity or accident.⁶⁴ It is not clear how *al-shurakā' fi'l-ḍamān* functioned and what was his stand regarding insurance. However the term indicates that it might have been mutuality-based insurance which is considered at present by majority of *ulama* as the only permitted form of insurance in Islam.

In Egypt, first time in the last decade of the nineteenth century two insurance companies established their branches. To promote their, business the company asked the *fatwā* of Abduh (the grand mufti of Egypt at that time). There is no mention of insurance in the query. It was presented in a form of investment activity. Among his *fatāwā*, we find two such *fatwās*. Due to their importance we reproduce them below with Abuh's answers:

Insurance: At the beginning of the nineteenth century a query was addressed to Ibn Abidin regarding *sūkarah* (insurance). That was in different circumstances; at that time, perhaps, in no Muslim country was any insurance company established. In the last decade of the nineteenth century though an insurance company established its first branch in Egypt and in order to promote its business the company wanted to obtain a *fatwā* from Abduh (at that time the Grand Mufti of Egypt). No mention of insurance was made in the query, as it was presented as a form of investment. Among his *fatāwā*, we find two such rulings made by Abduh and which, due to their importance, we reproduce below:

Query-1. A director of the American company Mutual Life⁶⁵ inquired about a person who has agreed with a company to contribute a certain amount for a fixed period in fixed installments so that the company might trade goods in whatever it deemed beneficial. If that agreed period has concluded and if he is alive, he would take his contributed amount as well as any profit earned from trading in that period. But if he died during that

period, his inheritor or one whom he authorized during his life time, will collect the said amount along with the resultant profit. Is this correct from a Sharī'ah point of view? Reply please.

Answer-1.The agreement of this person with the said company to contribute that amount in the way mentioned in the query is like a *muḍārabah* partnership, which is valid. There is no objection against the person who recovered his money along with the profits resulting from investment in trading. If that person died during that period and the company has worked with his money, and in fulfillment of its obligation, it wants to pay the whole amount to his survivor or one who has authority to dispose of his affairs, then it is permissible for his inheritors or the one who was so authorized, to collect the whole amount along with profit earned from trading in the way mentioned in the questionnaire. Allah knows better.⁶⁶

Query-2.Monsieur Hauser, a businessman in Egypt inquired about a man who contracted with a company to pay a certain amount of money over a fixed period with determined installments so that they could trade with it. The condition being that when the contract expired, he would take his money along with any profit. But if he died in that period, and those people had worked with his monies then his inheritors or the one who had authority on his money, would have the right to collect whatever was his money and its specific profit. The question then was: is there anything in this *muḍārabah* partnership that is opposed to the Sharī'ah? And if they call this contract by some other name, would it harm the subject?

Answer-2.The contract of that person with such people on the condition that he would pay them his money for trading in the way mentioned in the query, is a kind of *muḍārabah* which is valid by Sharī'ah, and it would be valid for him to collect his money along with the profit generated through investing it in trade when the payment period has expired. Similarly, it would be permissible for his inheritor or one who has authority to dispose of his assets after his death, to collect his money along with any profits if he died during that period and the company had worked with that money. Calling this contract by a name other than *muḍārabah* partnership would not make any difference. Allah knows better.⁶⁷

It may be noted that there is one more *fatwā* similar to the one above, so there is no need to reproduce it here.

From these *fatāwā*, it appears that insurance companies were active in Egypt by the end of the nineteenth century and at the turn of the last century. It is also obvious that these *fatāwā* were asked for by the companies themselves. This suggests that people had doubts about the Islamicity of their functioning and that they did not show much enthusiasm for them. Perhaps, then, the managers of those companies tried to obtain such *fatāwā* to convince people regarding the

legitimacy of their functioning. The questions themselves are very brief as are Abduh's replies. It is not very explicit that these were matters of life insurance (although it appears to be so). The queries are simply couched in terms of installments contributed for a specific period for investment purposes based on the *muḍārabah* technique, and at the end of the period the whole amount plus any profit is paid to the contributor if he is alive, otherwise it is paid to his inheritors or a nominated person. No question of uncertainty, *ribā* or gambling is raised, matters which are raised these days. There is also no reference to losses occurring through the investment. It is also not clear whether the profit is a fixed amount or a percentage of it. Again, it is not clarified if the amount to be paid after expiry of the period is the total amount determined at the beginning of the contract or only the total of paid installments. There are indications that these were not simple *muḍārabah* partnerships; rather, it was a new issue of insurance. The *mufti* also did not ask for clarification of these norms, matters which are again raised these days. Perhaps people were not so awakened to the various Sharī'ah issues involved in insurance.

As simple as was the question, so was the reply. However, it provided a starting point to address such new issues, and Abduh was a pioneer in this respect.

On interest: Once when someone enquired from Rashid Riḍa, the famous scholar and a student of Abduh, about the latter's opinion regarding depositing in investment funds and partaking of such profits, the former observed:

“If there is any official *fatwā* of *ustadh imām* (Mohammad Abduh) regarding investment funds, then it must be in the collection of his *fatāwā* with the Ministry of Justice. It can be obtained from there. I have not seen any *fatwā* in this respect. However, I heard him saying in one of his meetings with khedive, the substance of which is:

The Government has established a saving fund in the post office department through royal decree, to facilitate the poor to deposit their savings, so that it can be invested for them. It has been known that about 3,000 poor depositors did not withdraw the profits accrued to them according to the decree. So the Government enquired from me: “Is there any Sharī'ah way to make this profit valid (*ḥalāl*), so that the poor would not be committing any sin by profiting from it?

‘At this, I orally replied that it could be done by observing Sharī'ah rules of *muḍārabah* partnership in the investment of money deposited in a saving fund, thus the chief superintendent talked to the khedive regarding a modification of the royal decree and its Sharī'ah compliance. At this, his highness expressed his amusement. But when the chief superintendent told him that he has consulted the mufti (Abduh), he turned very angry and said:” How can the mufti validate *ribā*? I must consult other scholars on this issue”. Thus, his highness gathered an association of the '*ulamā*' of al-Azhar in al-

Qubbah Palace and asked them to prepare a Sharī'ah way for investment of the saving fund. His intention was to show the public that he was the real protector of their religion and had implemented the project according to the Sharī'ah. He also wanted to prove that had he not intervened, the Government was about to force Muslims on devouring *ribā* with the assistance of the mufti'.

'The *'ulamā*' prepared a project which they presented to the experts in financial administration. The finance administrator presented that project to me for approval. I found that it was based on what I had said to the government orally'.⁶⁸

It has frequently been stated that Muhammad Abduh permitted interest earned from deposits in post offices and so the bank's interest. All such opinions are based on the story narrated above.⁶⁹ However, we have not found any such thing in his writings. His student and friend Rashid Riḍa could also not present any clear cut opinion from his teacher on the permissibility of interest. The only thing that we have found, is the narrative mentioned above, which is reported by Riḍa himself. Now, this is not very reliable as it was reported orally after the passage of many years. Moreover, the reporter is known to often mix his own opinions with those of his teacher.⁷⁰ Zaki Badawi remarks: 'The relationship between Abduh and Riḍa is even more complex especially when it is realized that Riḍa sometimes read into Abduh's thought what was entirely his own'.⁷¹

Again, then the statement is not definite enough to infer that Abduh validated the interest of post offices or banks. First of all the statement is orally reported which carries the likelihood of misunderstanding. What Abduh clearly said is that it is permitted if the fund is invested on a *muḍārabah* basis. Now, it is beyond doubt that a *muḍārabah* partnership requires a predetermined ratio in profit, one not based on capital. There is no guaranteed profit/interest. Money loss, if any, is borne by the capital owner. Although no such details are given in the report, use of the term *muḍārabah* implies all these provisions.⁷²

5. Concluding remarks

Abduh was not only graduate from al-Azhar but also spent a few years in Paris. He tried to learn French during his brief stay in Paris but could not master it. However, he studied many works of Western scholars through translations. Coming into contact with the West, he realized how stagnant and laggard his country had become in terms of the arts and sciences, socio-economic affairs and its political system. He was not simply imitator of the West. He examined Western ideas on the criteria of Islamic sources before adopting any of them. In many cases he did not find any contradiction between the two except that the Arabs had lost and forgotten them, while the West adopted and developed them. He urged his people to regain their lost wisdom. He touched on some of the topics which became main issues on Islamic economics during the twentieth century, such as a value-based economic system, the role of the state in economic life, taxation and public borrowing, banking and interest, the Islamic way of business,

insurance, the elimination of poverty, the Qur'anic terms of *fī sabīl-Allāh* and *al-ʿafw*, and so on. In this way, he prepared the ground for the development of the discipline of modern Islamic Economics. It is not correct that he approved interest-based insurance or deposits.

End notes

1. al-Jabarti, Abd al-Rahman, *ʿAjāʿib al-athār fī al-tarājim wa'l-akhbār* (Beirut: Dar Faris, 1998), I: 276.
2. Abduh's ideas first became known in the West when his theological treatise, *Risālat al-Tawḥīd* was published in a French translation, with a long introduction by Michel, B. and Abdel Razik, Moustapha (translators), *Risālat al-Tawḥīd: Expose de la Religion Musulman* (Paris: Librairie Orientaliste Paul Geuthner, 1925). Its English translation published in 1966 under the title *The Theology of Unity*, by Ishaq Musa'ad and Kenneth Cragg (London: According to Kedourie, 1966), 1-2. `Abduh, cut a considerable figure in the voluminous diaries which Wilfrid Scawen Blunt began publishing in the first decade of the twentieth century in order to denounce the oppressions of the British Government and promote the cause of its victims (Blunt, Wilfrid Scawen, *My Diaries: Being a Personal Narrative of Events, 1888-1914* (the University of Michigan, 1922); and finally that `Abduh is sympathetically, if ambiguously, presented in Lord Cromer's *Modern Egypt* (London: Macmillan, 1908). C. C. Adams introduced him further when he published his substantial and widely-read *Islam and Modernism in Egypt* (London: Oxford University Press, 1933).
3. Its life was just nine months, from March 13, 1884 to October 10, 1884. It is said that it was the first Arabic paper to appear in Europe. Rida, Rashid, *Tārīkh al-ustādh al-imām al-shaykh Muḥammad ʿAbduh* (Cairo: al-Manar Press, 1931), I: 292.
4. Ibid. I: 865
5. According to Kedourie, a feature of the *Risālat al-Tawḥīd* is that it insists, in a manner reminiscent of Afghani, on the social utility of religion. The prophetic office, argues Abduh, enables society to maintain itself and to avoid calamity and anarchy; religion, in fact, is a good substitute for the natural feelings of love and sympathy between individuals which ordinarily do constitute and maintain the bonds of society. See Kedourie, Elie, *Afghani and Abduh, an Essay On Religious Unbelief and Political Activism in Modern Islam* (London: Frank Cass & Co. Ltd. 1966), 13.
6. Ibid. 5.
7. Amin, Ahmad, *Zu ʿmāʿ al-Iṣlāḥ fī l-ʿAṣr al-Ḥadīth* (Cairo: Maktabah al-Nahdah al-Misriyah, 1979), 121.
8. Sayyid Ahmad Khan (1817-98), born in Delhi, tried to strengthen the position of Muslims after the fall of Mughal rule in India. Unlike Abduh who supported the Urabi uprising against the European control in Egypt,

Khan kept himself aloof from the Mutiny of 1857 which ended with the abolition of the 1000-year Muslim rule in India. However, Khan put the blame on British policy for this mutiny as they had targeted the Muslims as a whole. In his last days, he established the Mohammedan Anglo-Oriental (M.A.O.) College at Aligarh that later became Aligarh Muslim University in 1920.

9. Amin, Op. cit. pp. 121-123.
10. Mahmudul-Haq, *Muhammad Abduh: A Study of a Modern Thinker of Egypt* (Aligarh: Institute of Islamic Studies, Aligarh Muslim University, 1970), 40. Al-Afghani targeted Sayyid Ahmad Khan's ideas in his only treatise in Persian *al-Radd 'alā-al-Dahriyīn* (Refutation of the Materialists).
11. Hodgson, MARSHALL G.S., *The Venture of Islam: Conscience and History in a World Civilization* (Chicago: The University of Chicago Press, 1974) 3: 276.
12. *Tarīkh* 3: 60, 98.
13. 'Abduh, Muhammad, *Risālat al-Tawhīd* first edition 1897. English translation entitled *The theology of unity*, by Ishaq Musa'ad and Kenneth Cragg (London: Allen & Unwin, 1966).
14. Abduh, Muhammad, *Tafsīr al-Manār* edited by Muhammad Rashid Rida (Cairo: al-Hay'at al-Misriyah al-Ammah, 1927), 12 vols.
15. In ancient Egypt when the Prophet Joseph was the food minister at a time of drought, the people came from faraway places to collect grain from Egypt. See the Quran 12: 58-65. During the entire Islamic period, Egypt has been supplying food grains to the Hijaz.
16. Abduh, Muhammad, "*Ḥubb al-Faqr wa Safh al-Fallāḥ*" (love of poverty and foolishness of the farmer) in *al-A'māl al-Kāmilah* (edited by Muhammad Imarah), (Beirut and Cairo: Dar al-Shuruq, 1993) 2: 16-20.
17. Imarah, Muhammad (editor), *al-A'māl al-Kāmilah li- Muḥammad 'Abduh*, (Beirut and Cairo: Dar al-Shuruq, 1993), 3: 46. Referred to *al-Waqā'i' al-Miṣrīyah*, No. 1073, 28.3.1881 /28 .4.1298).
18. Ibid. 3: 45.
19. *Ḥubb al-Faqr wa Safh al-Fallāḥ* in *al-Waqā'i' al-Miṣrīyah* No. 969. 20th November 1880
20. Ibid.
21. Ibid.
22. *Mā huwa al-faqr al-ḥaqīqī fī'l-bilād*, in *Tarīkh, Op. cit.* 2:147. It is interesting to note that in the conflict of the capitalist and the laborer, Karl Marx (1818-1883) also used similar expression. ("The proletarians of the world have nothing to lose but their chains...").
23. Riyad Pasha (1835 or 1836–1911) was an Egyptian statesman. He served as Prime Minister of Egypt three times during his career. His first term was between September 21, 1879 and September 10, 1881. His second term was from June 9, 1888 to May 12, 1891. His final term lasted from January 17, 1893 to April 16, 1894.

24. Imarah, *al-A 'māl al-Kāmilah*, I: 549-51.
25. Ibid. 1:795.
26. Abduh, Muhammad (1880s), Articles published in *al-Waqā' i ' al-Miṣrīyah* (the Egyptian Gazette), no. 988, 18.12.1880/16.1.1298.
27. Ibid., no. 988, 18.12.1880/16.1.1298.
28. Imarah, *al-A 'māl al-Kāmilah*, 2: 13-14.
29. Ibid.
30. Ibid. 1: 165-66).
31. Ibid.
32. Abduh, Muhammad, (*Tafsīr sūrat al-Baqarah* verse 245, in *Tafsīr al-Manār* , 2: 366.
33. *al-Waqā' i ' al-Miṣrīyah*, No.. 1054, 6th March.
34. The island Sakız (Turkish) is known by different names such as Scio (Genoese), Chio (Italian) and Chios Island (Sakız Adası) (Greece).
35. *al-Waqā' i ' al-Miṣrīyah*, no. 1054, 6th March 1881/ 6th Rabi` al-Thani 1298).
36. Ibid.
37. Abduh, *Tafsīr al-Manār* , 5: 33.
38. Ibid. 2: 89.
39. Islahi, Abdul Azim, *Economic Concepts of Ibn Taimiyah*, (Leicester, Islamic Foundation, 1988), 215-16.
40. *Hubb al-Faqr wa Safh al-Fallāh*, in *Tarīkh* 2: 56.
41. Abduh, *Tafsīr al-Manār* , 3: 91.
42. Imarah, *al-A 'māl al-Kāmilah*, 1: 146.
43. *Hubb al-Faqr wa Safh al-Fallāh* in part 2 of *al-A 'māl al-Kāmilah*, originally published in *al-Waqā' i ' al-Miṣrīyah* in 1880.
44. Ibid. No.1316, 24.10.1882/4.3.1299 H.
45. Abduh, Muhammad, *'Īd Miṣr wa Maṭla' Sa'ādaturhā* in *al-Waqā' i ' al-Miṣrīyah*, No. 909, 19th July 1880/11thShaban 1297).No. 909, 19th July 1880/11thShaban 1297).
46. Imarah, *al-A 'māl al-Kāmilah*, I: 535-36.
47. Ibid. I: 537.
48. Ibid. I: 645-646.
49. Ibid.
50. Ibid.
51. Ibid. 647.
52. Abduh, Muhammad, *Ihtirām Qawānīn al-Hukūmah wa awāmirihā min sa'ādat al-ummah*, in *al-Waqā' i ' al-Miṣrīyah*, No. 952, 31st Oct. 1880).
53. *al-Waqā' i ' al-Miṣrīyah*, no. 1079, 4th April 1881/5th Jumada al-Ula 1298.
54. Abduh, Muhammad, *Kalām fī Khaṭa' al-'uqalā'* in *al-Waqā' i ' al-Miṣrīyah* No. 1082 7th April 1881).
55. Ibid.
56. Ibid. No. 1142, 19.6.1881.
57. Ibid. No.1723, 01/10/1881.
58. Ibid. No. 1245, 26/10/1881/03/12/1298 H.
59. *al-Waqā' i ' al-Miṣrīyah*, No. 1033 9.2.1881/10.3.1298).

60. Abduh, *Tafsīr al-Manār* , 3: 50).
61. Ibid. 1: 109-10.
62. Ibid. 2: 268.
63. Ibn Abidin, Muhammad Amin (n.d.) *Majmū'ah Rasā'il Ibn 'Ābidīn*, Part 2, n.p., pp. 178-9.
64. al-Tahtawi, Rifa'ah Badawi Rafi' (1834), *Takhlīṣ al-Ibrīz fī Talkhīṣ Bārīz* (Customs and Manners of the Modern French), Boulaq (from Cairo in 1905), p. 149.
65. Perhaps this was the American Mutual Life Insurance Company which was incorporated in 1897.
66. Abduh's *fatwa* dated 1.2.1319/6.5.1901, cited by Imarah in *al-A'māl al-Kāmilah*, 2: 503.
67. Ibid. dated 3.12.1320/7.3.1903, quoted by Imarah in *al-A'māl* part 2: 504.
68. (*Majallat al-Manār*, vol. 19 pp. 527-29, 30.3.1335/Feb.1917, 'Ribḥ *Ṣundūq al-Tawfīr*, (Profit of the Investment Fund).
69. Mohamadul-Haq reports this in two places in his work *Muḥammad 'Abduh*without any reference to Abduh's work. He says: "The most famous of his *fatwās* is one that makes it legal for the Muslims 'to deposit their money in banks and draw interest on it'." (Mahmudul-Haq, Op. cit., 9, 45).
70. Badawi, Ibrahim Zaki al-Din, *Nazarīyat al-Ribā al-Muḥarram fī-al-Sharī'at al-Islāmiyah* (Cairo: Dar wa Matabi' al-Sha'b, 1964), 223.
71. Badawi, Zaki, *The Reformers of Egypt - A Critique of al-Afghani, Abduh and Ridha* (Slough Berks (U.K.), The Open Press, 1976), xiii.
72. For a detailed analysis of Rashid Riḍa's report and its ambiguous content see Badawi, 1964, PP. 223-39.