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“The Genesis of Islamic Economics” Revisited

ABDUL AZIM ISLAHI*

Abstract. *The present paper is an attempt to correct Timur Kuran on various issues related to the genesis of Islamic economics. It demonstrates that "Islamic economics" is not a product of twentieth century. The term may be new but its origins go back to early period of Islam. Its evolution up to the present state of a distinguished discipline can be divided into six distinct phases. The paper argues that the modern Islamic economics was never a sectarian subject. Nor was it developed for Muslims' identity and protection purpose. Scholars of different regions and of diverse affiliations promoted it and its propounders aimed at the well-being of all.*

Keywords: Islamic economic thought,

JEL Classifications: B59, P51, Z12

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Introduction

The context of this paper is an article by Timur Kuran entitled "The Genesis of Islamic Economics: A Chapter in the Politics of Muslim Identity"¹ (Kuran 2004). The author complained in his article about non-existence of a research "on the origins of Islamic economics" and tried to fill this gap. But due to targeting the issues of Islamic 'fundamentalism', 'clash of civilization' and looking into the matter in the perspective of subcontinent's partition, while ignoring a good deal of related works on the subject that appeared in India itself and in Hyderabad state and the Arab world, he went on a wrong track and could not fill the gap he complained of. Although the origins of Islamic economics go back to the earliest period of Islam he denies existence of Islamic economics in earlier centuries and considers antiquity of the doctrine as "a myth" (Kuran, p. 83). In his opinion "Islamic economics" is a product of twentieth century. He is right so far the 'term' is concerned but the ideas existed from early centuries of Islam. It is also not supported by facts that "the doctrine emerged in late-colonial India as an instrument of 'identity creation' and 'protection'" (p. 82) as the present paper is to substantiate this.

Supposedly Kuran gave the whole 'credit' of promotion of Islamic economics to one person – Sayyid Abul-Ala Mawdudi (d. 1979). In his opinion Mawdudi prescribed the main objective of Islamic economics to

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¹ The article was first published in *Social Research*, Vol. 64, no. 2 (Summer 1997) and reproduced with minor editing in Kuran's collection of his papers under an irritating title: *Islam & Mammon – The Economic Predicament of Islamism*.

support and strengthen "political Islam," "Islamic fundamentalism," or simply "Islamism" (P. 82).² This writer feels that both assertions need correction. The present paper, by giving full account of the genesis of Islamic economics from its original sources, attempts to put the record straight and note the facts missed by Kuran. It also aims to eliminate possible misunderstandings and negative impact on the reader's mind that his article might have created.³

Kuran has excuse for missing the relevant data as he lacks knowledge of Urdu language in which early literature on Islamic economics appeared and which is the language of the region (i.e. Indian subcontinent) considered by him the birth place of Islamic economics. He also seems to be unaware of Arabic the language of another region where modern Islamic economics developed. Except Baqir al-Sadr's *Iqtisādunā* (Our Economics) a work of early 1960s, and Qutb's *al-‘Adālat al-Ijtimā‘iyah fi’l-Islām* (Social Justice in Islam) (1948), contributions of other Arab writers are unknown to Kuran due to the language barrier. He could rely on works which were translated into English. He seems to have missed even some of the early writings in English, for instance, works of Hamidullah (1936), Datta (1939), Qureshi (1947), Shaikh Mahmud Ahmad (1947), and Siddiqi (1948). Interestingly all these works are the first in their areas of Islamic economics.⁴ In this paper we mainly concentrate on Islamic economic literature development in the first half of the twentieth century. In the second half of the twentieth century Islamic economics got recognition as a discipline. Not only Muslims, a number of non-Muslims are also showing interest in the subject. But in the opinion of Kuran once it was fully developed "various actors found it a convenient vehicle for advancing political and economic aims" (Kuran p. 101). This writer thinks that reading the intention is not always safe and sound. Opposition to Islamic economics could equally prove an effective vehicle to fulfill similar objectives. May be, more widely and conveniently.

Islamic Economics is not a Sectarian Discipline

No doubt, one of the purposes of Islamic economics, for some of the early writers, was 'to identify and establish an economic order that conforms to Islamic scripture and traditions' (Kuran, p. 82). That is because the basic sources of Islam – Qur’ān and *Sunnah* – consist of a number of economic teachings and principles applicable to economic life

² To Kuran IE is to serve "political Islam," "Islamic fundamentalism," or simply "Islamism". Use of these types of terms in any serious scholarly economic discussion is not considered appropriate by many as they are politically motivated expressions.

³ See, for example, El-Gamal (2006, p. 137), Visser (2009, pp. 1-4, 5), etc.

⁴ Hamidullah's paper is first from Hyderabad State and first time on labour problem, using first time the term "Islam economics". Jitindra Mohan Datta's (1939) article has also many firsts. It is first related to economics of "Zakat"; first time by a Hindu writer and perhaps first time a note published in a prestigious journal *The Economic Journal*, under the editorship of John Maynard Keynes. Qureshi's (1947) is the first work on theory of interest in Islamic perspective. Shaikh Mahmud Ahmad's (1947) book is the first work on Economics of Islam in English. S. A. Siddiqi (1948) authored first work on Islamic public finance.

and being Muslims they are ordained to practice them.⁵ They felt religiously obligated to shun interest, pay zakat and manage *awqāf* and follow Islamic instructions in their daily economic life. But that does not mean that the promoters of Islamic economics wanted to establish Islamic economics on sectarian basis. They believed that Islam is mercy for the entire human being and its economic system is better substitute to all other systems. For example, Mawlana HifzurRahman Seoharwi (d. 1962) the author of the first complete book on Islamic economics, strongly emphasized on need to prove benefits of Islamic economics to his country fellows and convince them on its virtues. He showed high optimism in this respect (Seoharwi, 1969, 1939, pp. 393-94). The same feeling was expressed in 1946 by Shaikh Mahmud Ahmad (d. 1990) in the preface of his work (1952, p. vi). He says:

if Islamic economic order is something which can and ought to be practiced today by the Musalmāns, it should recommend itself to non-Muslims with almost equal force, because the problems that confront the world today in the economic sphere are the same for Musalmāns as for any other religious group.

And this objective is still in front of the Islamic economists. In the 7th International Conference on Islamic Economics held at Jeddah in 2008, Islamic Economics Research Center (IERC), King Abdulaziz University, announced: "Let Islamic economics be for each and all, declaring their problems to be its problems, taking up the causes of humanity as its causes" (IERC, 2008, p. 41). Islamic economics "relies on an integrated role of moral values, market mechanism, families, society, and 'good governance' to ensure the well-being of all" (Chapra, undated, p. 4, emphasis added).

Unaware of this, Kuran (2004 p. 99) wants to take development of Islamic economics as conflict between the West and the East. The present writer, with his specialization on history of Islamic economic thought, finds that it provides a basis for civilizational dialogue and a meeting point and sharing values in the history of the two civilizations of the world (Islahi, 2014 [a]).

Islamic Economics' Course of Development

It is interesting to note that evolution of Islamic economics experienced a course of development similar to the one seen by the main discipline of conventional economics. The history of mainstream economics is generally traced back to Greek philosophical discourses, Roman jurists and administrators, and early Christian fathers. Then there

⁵ For such teachings refer to Kahf (1999) who has compiled a full volume on economic teachings in the Qur'ān and the *Sunnah* and Khan (2005) who has compiled the Prophet's economic teachings in a volume.

was the so-called 'great gap' for about five centuries.⁶ During the twelfth century Scholastic Economics emerged which dominated the scene for about four centuries. Then came 'mercantilism' to rule about two and half centuries (roughly from sixteenth century to the mid eighteenth century) to give way to 'physiocracy' for a short period till the appearance of *the Wealth of Nations* in 1776 by Adam Smith – known in the West as the father of Economics. It is said that his work marked the incarnation of economics as a separate and independent discipline. But this does not mean that there was no economics before "Economics".⁷ In any branch of knowledge all ideas do not develop in one stage. They are gradually evolved.

The same happened to Islamic Economics. Although the term is twentieth century product, parts of ideas existed since the advent of Islam which enhanced with the time. It gradually developed as an interdisciplinary subject (Chapra, 2001, p. 43). Only an ignorant of Muslim intellectual history can claim that "such category of knowledge did not exist in the intellectual heritage of Islam". The economic teachings and maxims formed a considerable portion of Qur'ānic verses and *Sunnah* (the Prophetic traditions). The jurisprudential literature developed in early centuries of Islam had a number of chapters dealing with matters that formed the component of economics. Nonexistence of term does not necessarily mean absence of the idea. Specialized works on economic problems also started in early centuries of Islam as noted below under the 'first phase'. The existence of the essence of a subject is important, not the terminology. Terminology is generally formed later. Moreover, details of a subject and emphasis are always changing. That is the reason behind emergence of schools and streams in every discipline including economics. The economics of twenty-first century is not exactly the same as that of the twentieth century, and that was different from the one in the nineteenth century and so on.

It may be noted that at various stages of history there has been convergence and divergence between the European West and the Arab-Islamic East, and either of the two benefited at the time of convergence. This is shown below in second, third and fifth 'phases of Islamic economics'.

Phases in Development of Islamic Economics

Right from its beginning up to the twentieth century, development of Islamic economics can be divided into six distinct phases.

⁶ Joseph Schumpeter (1997, pp.73-74) talked of 'the great gap' in evolution and development of economic thought in his monumental work *History of Economic Analysis*, first published posthumously in 1954. Many writers have refuted Schumpeter's thesis of "great gap". Reading Ghazanfar (2003) will be sufficient.

⁷ Economics was 'evolved historically from many minds and temperaments' and economic thought is 'a cumulative accretion of human knowledge' (Ekelund and Hebert, 1983, p. 3) and history of economic thought is 'a continual progression of ideas made up of epochal contributions of new list of knowledge added to the accumulated legacy of the past' (Ekelund and Hebert, 1983, p. 4).

The first phase (first century of Islam⁸/seventh century CE): It may be called formation period. After the advent of Islam, for about a century the Muslims mainly depended on their own sources for dealing with the socio-economic problems.⁹ Since the Qur'an and *Sunnah* – contained a number of economic principles and many detailed economic teachings in addition to use of reason to decide matters in the best interest (*maṣlaḥah*) of people, there was no pressing need to look for guidance from outside sources. Thus early Islamic economic thought was based on its basic sources. The economic teachings found in the Qur'an and *Sunnah* were expanded by the Muslim scholars using *qiyās* (analogical reasoning) and *ijtihād* (fresh original thinking) and through their own perceptions and experiences. Muslim economic thinking in this period presented a fine combination of revealed knowledge, creative thinking, and existing economic traditions.¹⁰ Very soon writing on economic problems started: In early centuries of Islam we find Abu Yusuf (d. 798) and al-Shaybani (d. 805) who authored *Kitāb al-kharāj* (the book of taxation) and *Kitāb al-kasb* (the book of earning) respectively;¹¹ al-Qurashi (d. 818) compiled traditions of the Prophet related to taxes and other financial obligations, while Abu Ubayd (d. 838) and later his student, Ibn-Zanjawayh (d. 893), authored *Kitāb al-Amwāl* (the book of finance); al-Muhasibi (d. 857) wrote on importance of economic activities; Ibn Abi al-Dunya (d. 891) on *Iṣlāḥ al-māl* (Betterment of Wealth), al-Kinani (d. 901) on *Aḥkām al-Sūq* (rules of market), Abu Bakr al-Khallal (d. 923) on business and economic activities in general; al-Mawardi (d. 1058) on good governance and al-Ghazali (d. 1111) on nature and functions of money, and al-Dimashqi on virtues of commerce (lived in the 12th century), etc. Interestingly, they were in the period termed by Schumpeter as the 'great gap' in the evolution of economic thought.

The second phase (eighth–eleventh centuries): It may be called translation period. The second phase began with the translations of the Greek and Persian scholarly heritage into Arabic language. The translation activity started by the end of the first century *Hijrah* corresponding early eighth century, although it took two more centuries to make its influence felt among the Muslim scholars. With this they got an opportunity to benefit from alien intellectual and practical works. They learnt and developed Greek economic ideas and made improvements over them by their commentaries and additions.¹² This continued for a few centuries.

⁸ Islamic calendar is called "Hijrah". Generally there is gap of six centuries between the two. This difference is decreasing by three year in each century.

⁹ Commenting on works of *Kitāb al-Kharāj* Spengler says that they 'reflect Islamic thought about 800 C.E. at which time the influence of Greek thought had not yet made itself felt' (Spengler 1964, p. 270, footnote No. 8).

¹⁰ Siddiqi (1992, p. 69) has rightly defined Islamic economics as "the Muslim thinkers' response to the economic challenges of their times. In this endeavor they were aided by the Qur'an and the *Sunnah* as well as by reason and experience."

¹¹ Shemesh (1967, pp. 3–6) who translated three early works on taxation gives a list of twenty-one works from various sources that were written on the subject during the early centuries of Islam.

¹² Lewis admits: "Muslim scientists added greatly to the material transmitted to them, through their own researches and through practical experiments and observations in fields as diverse as medicine, agriculture, geography, and warfare" (Lewis, 1982, p. 221).

Greek economics was confined to a few aspects of life such as, 'wants and their satisfactions', 'economy of self sufficient households', 'division of labor', 'barter', and 'money'. According to Schumpeter (1997, p. 60): "This – presumably the extract from a large literature that has been lost – constitutes the Greek bequest, so far as economic theory is concerned". Muslim scholars extended this branch of knowledge 'far beyond the household, embracing market, price, monetary, supply, and demand phenomena, and hinting at some of the macro-economic relations stressed by Lord Keynes' (Spengler, 1964, p. 304). The movement of translations from alien sources came to an end in about eleventh century, but 'the development of Islamic science continued for some time beyond that' (Lewis, 1982, p. 221).

The third phase (twelfth-fifteenth centuries): It is retranslation and transmission period. Greco-Arab Islamic ideas (additions and commentaries of the Muslim scholars over the Greek philosophy) were translated from Arabic to Latin and other European languages (Durrant (1950, p. 910). We have reports regarding translation activities from Arabic to Greek by the end of fourth century *Hijrah* in the Byzantine capital Constantinople (Sezgin, 1984, p. 119). So much so that the period before Western renaissance is termed as the 'translation age' (Myers, 1964, p. 78).

As it is well known, in the pre-modern economics period economic discussions formed the part of ethical and philosophical discourses, so economic ideas of the Muslim scholars were also translated and transmitted along with their philosophical works and commentaries. Knowles admits, "Beside acting as agents in the long process of transmitting Aristotelian thought from Syrian and Persian through Egypt to Spain, the Arabian thinkers handed over a legacy of their own to the Latins" (Knowles, 1963, p. 195).

Thus, Greek economic ideas which formed starting point of the European economic thought reached the West mixed with Muslim scholars' commentaries and additions. Since the Muslim scholars based their ideas on both the revealed knowledge and human reason, they were more suited to Christian scholastic scholars who benefited from them to a greater extent which is clear from the gap found between their voluminous body of thought on economic issues and almost no contribution of their predecessors who could not have access to the Arabian sources (Islahi, 2014 [b], pp. 63-66). This gave the birth to scholastic economics in the West and formed the connecting link between Greek philosophers and scholastic economists. In this way they played vital role in the evolution of mainstream economics and influenced the scholastic doctors and mercantilists (ibid. pp. 82-83).

The fourth phase (sixteenth–eighteenth centuries): It may be called dormant phase which continued for almost three centuries. In the opinion of this author the fifteenth century was the peak of Muslim intellectual scholarship that produced Ibn Khaldun (d. 1406), al-Maqrizi (d. 1442), al-

Asadi (fifteenth century), Ibn al-Azraq (d. 1489) and al-Dawani (d. 1502). In the sixteenth century we could not find a work on socio-economic problems that could be matched with the works produced by scholars mentioned above. Repetition of previously formulated ideas, and commentary on their predecessors' works became the main characteristics of Muslim scholarship. The Muslim civilization and its intellectual and political power, after reaching its zenith, had by the early sixteenth century begun to show clear signs of decadence while the Western renaissance was in full swing. It was the time when writings on how to achieve economic progress and strengthen the country through foreign trade took the form of a movement in the West, known as *mercantilism* in economic literature. At that stage of history, the Muslim scholars, after transmitting Greek ideas along with their own additions and interpretations, to the world at large, gradually receded into oblivion. The West took over the torch of sciences from them and kept it burning even with greater brightness.

In the succeeding two three centuries many voluminous works on the exegesis of the Qur'ān, commentaries on *ḥadīth* (the Prophet's tradition), and detailed notes (*shurūḥ*) on earlier *fiqh* literature appeared but because of imitation and lack of originality they lost significance. Books written on *al-siyāsah al-sharī'ah* and *al-ḥisbah* (the two types of works that consisted economic ideas of Muslim scholars) merely presented summary of earlier works (Islahi, 2009). Scholars of the period wrote on economic issues such as price, money, land management, public finance, etc. But there were hardly new ideas. Exception may be granted to Fadl-Allah Khunji's (d. after 1512) *Sulūk al-Mulūk* and Abu'l-Fazl's (d. 1602) *A'īn-i Akbarī*, both in Persian language. Especially Khunji has discussed the Islamic provision of public finance in much detail in his work *Sulūk al-Mulūk* (1966). This is perhaps the most comprehensive treatment of the subject in the sixteenth century and presents many insights on the Islamic theory of public finance (ibid.).

The seventeenth century was also very closely related to the sixteenth century in the sphere of Muslim education and intellectual input. Economic condition decayed and corruption increased.¹³ Scholars of the period paid attention to arrest decaying socio-economic structure and sought solution in revival of old system. For instance, in the wake of wide spread corruption and deteriorating economic condition the Ottoman thinkers advocated an adherence to the old system, and argued for the revival of *tīmār* (grant of land tenure to the troop or *sipāhī*) and called for the return to the old order. In that context Defterdar (d. 1720) says: 'The ancient law must be respected' (1935, p. 143). They emphasized on justice and fairness in taxation and public expenditure, removal of corruption and exploitation, elimination of economic evils such as hoarding, monopoly, bribes, adulteration, etc. But what positive steps should be taken to develop various sectors of the economy – agriculture, industry and trade – and how to equal or surpass the rival economies was hardly discussed.

¹³ For details refer to Islahi 2011[a]).

During the eighteenth century, decaying forces in the great Muslim civilization speeded up and Western colonization of Muslim lands began. At the same time, some sort of awakening, soul-searching and efforts at renovation by Islamic thinkers was also initiated. It produced three great scholars in three different parts of the Muslim world, Shah Wali-Allah Dihlawi (d. 1762) in the Indian Subcontinent, Ibn Abd al-Wahhab (d. 1792) in the Arabian Peninsula, and Uthman dan Fodio (d. 1817) in West Africa – each of whom brought about a revolution in intellectual thinking and religious puritanism that marked the beginning of the modern period in the Muslim world.¹⁴

Fifth phase (nineteenth century and early twentieth century): It may be called Awakening Phase. In the nineteenth century political circumstances provided new opportunity of convergence which culminated into the re-birth of Islamic economics.

In this period a new type of intellectual and economic awakening started, and economic problems began to attract the attention of a large number of Muslim scholars and intellectuals in different parts of the world.

Khayr al-Din al-Tunisi (d. 1890) from Tunisia; al-Kawakibi (d. 1893) from Syria; al-Tahtawi (d. 1873) and Abduh (d. 1905), from Egypt, al-Afghani (d. 1897) from Iran and Sayyid Ahmad (d. 1898) from India all had to say something on economic issues. They were practical men, not theoreticians. Their purpose was to improve the economic conditions of their peoples within the framework provided by Islam.

Factors that Led to the Revival of Islamic Economics. During the nineteenth century the Arab masses and people of Indian subcontinent got first public exposure to European thought and modes of practice which opened their eyes and made them realize just how laggard they had become. They saw establishment of modern educational institutions. They also saw the development of many new economic establishments, never heard of before, such as insurance, banking, joint stock companies, stock exchanges, and so on. The nineteenth century can be rightly called as the century of awakening for Muslim world. This awakening can be classified as intellectual awakening, economic awakening and Islamic awakening. The cumulative effect of these three types of awakening was revival of Islamic economics as we see below:

Intellectual awakening in which use of printing press, publications of classical Islamic works, issue of journals and newspapers and translation of scientific and economic works played vital role. Perhaps, for the first time in history, an Egyptian educational mission was sent to study at European universities. They witnessed the benefits of science in economic, social, educational and intellectual spheres. Influenced by the Western system, Muslim scholars advocated the modernization of their

¹⁴ For their economic ideas refer to Islahi 2011[b]).

own system to match Western educational and economic institutions and establishments.

Economic Awakening. The most important manifestation of development during this century was the economic awakening that took place in the Arab world. They witnessed the manifestations of wealth and civilization in Europe and realized that the development of industry, agriculture, and commerce depended on the development of the sciences and technology (al-Tunisi, *The Surest Path*, pp. 137-51; al-Tahtawi, *Manāhij*, pp: 327-28, Abduh (*al-Waqā'i' al-Miṣrīyah*, No. 1079, 5 Jumada al-Ulā 1298 / 4 April 1881).

Those who visited Europe saw the rich economic condition of European cities and the goods and services people enjoyed. Al-Tahtawi wrote a complete section in his work *Takhliṣ al-Ibrīz* on employment and skills in Paris, in which he talked about industry, commerce, and communication, and which he viewed as the main reason for the riches of the French people. Al-Tunisi also dealt with the same subject in Chapter Three of his work *Aqṣam al-Masālik* (*The Surest Path*, pp: 134-36; 164-69).

The bank was established for the first time during the nineteenth century. But the Muslim scholars did not try to legalize bank interest. Al-Tahtawi and al-Kawakibi expressed their dislike of interest based banking. Some of the others remained silent. Ironically, Abduh's student and friend Rashid Riḍa reported that the former permitted the interest offered by the post office on investment deposits. In fact no such statement made by Abduh has been traced, and even Riḍa's report is ambiguous.¹⁵ As far as banking without interest is concerned, no one hinted at its possibility and procedure. This innovation was developed in the twentieth century when it became clear that the Western banking system was not acceptable for Muslims.

Muslim scholars addressed various issues which were related to the development of economy in the modern period. Here are two examples of scholars from Egypt, Rifā'ah al-Tahtāwī and Muhammad Abduh. They had been for sometimes in Western countries and directly or indirectly studied Western thought and institutions which are reflected in their economic ideas. For instance, al-Tahtawi's emphasis on significance of industry which he calls *al-manāfi' al-'umūmīyah* (1912, 79). He discussed productive and unproductive labour (ibid. 104), foreign trade, competition, etc. Abduh addressed poverty, abolition of bonded labour (1993, I: 549-51), need for relevant education (*al-A'māl al-Kāmilah*, Vol. 1: pp. 165-66), economic problems faced due to lack of effective demand (*Ḥubb al-Faqr wa Safh al-Fallāh*, *Tārīkh*, Vol. 2: p. 56), etc.

In India Sayyid Ahmad Khan was extremely perturbed by the worsening economic condition of Indians in general and Muslims in

¹⁵ For a detailed analysis of Riḍa's report and its ambiguous content see Badawi, 1964, pp. 223-39.

particular. To him, national decay is cumulative effect of individuals' idleness, dishonesty, dishonor, selfishness and evils (Khan, 1292 AH. P. 205). In this way he advocated for value-based economic uplift. In the nineteenth century the most important task before Muslim thinkers was to visualize to the masses importance of economic improvement.

Islamic Awakening and Solution under Islamic Guidance. Citing a few names of 19th century Muslim scholars, Kuran observes: "But the notion of identifying or rediscovering economic practices that were distinctly Islamic was absent from their campaigns - to say nothing of cultivating an economic doctrine grounded in Islamic teachings" (p. 90). In fact economic thinking of Muslim scholars of nineteenth century has not been fully explored. One cannot get true picture just depending on a few English translations. Many examples of "identifying or rediscovering economic practices" can be presented "that were distinctly Islamic". Al-Tunisi repeatedly wrote that the reason behind Muslim governments' backwardness was the emancipation of their rulers from the Sharī'ah, (*The Surest Path*, 1968, pp. 134-6).

Al-Kawakibi criticized various policies of the Ottoman sultans. About Sultan 'Abd al-Majid, he said that he legalized many prohibited things, *ribā* being one of them, to strengthen the administration of his government, (*Ṭabā'i' al-Istibdād*, p. 310). Perhaps he meant the establishment of a Western type of bank based on interest during his reign in 1850. He said: "This (practice of *riba* = interest) endears idleness which spoils morality; it also has the sense of earnings or profit, without undertaking the risks involved in trade, agriculture and properties. *Ribā* thus creates the gap between the rich and the poor" (ibid. p. 48). In his work *Umm al-Qurā* (pp. 175-76) he observes:

If Muslims live really as Muslims, they will be safe from poverty. They will live an organized, common sharing way of life, the kind of which is desired by most civilized countries of Europe but who still do not know how to achieve it, although they are striving to achieve it through various associations and organizations, having millions of members, such as communism, feminism, nihilism, socialism, and so on. All of them aim at achieving equality and equity in rights and economic conditions, something which is required in Islamic society by religion through *zakāh* and *kaffārāt*. The suspension of *zakāh* and the non-fulfillment of *kaffārāt* are the reasons for various deficiencies about which we are investigating.

Al-Kawakibi thought that *zakāh* and *waqf* would take care of socio-economic justice. Instead of supporting intervention in social and economic affairs, he appealed to the religious responsibility of the rich towards their poor brethren, (*Ṭabā'i' al-Istibdād*, p. 56).

Here is another scholar al-Tahtawi. At the time when he visited Paris in 1826 there was no modern bank in Egypt; the first being established in 1855. Inevitably, then, the existence of banks in France attracted his

attention. In this respect he observes: 'Know that the greater businesses are those of tradings, and the most famous of them is the banking business. ... people can deposit with their bank whatever they want to deposit, and take the legally fixed profit which is not considered by them as *ribā* (usury) unless it exceeds the limit fixed by the law' (al-Tahtawi, *Takhlīs*, p.149). He did not approve of their practice of interest, remarking: 'Had their earnings not been mixed with interest (*ribā*), they would have been the best people from an earnings point of view' (ibid. p. 152). Al-Tahtawi also cast a critical view on the French economy: 'Their economy would have been the best among the nations' he observed, 'had it not been involved with *ribā*.' (ibid., Chapter Three, Section Eleven cited by Imarah 1973, pp. 101-102).

Al-Tahtawi suggests the rich community of his country to establish commercial establishments based on the principle of '*al-salam*' (an advanced sale at a deferred date but with immediate payment) to facilitate economic transactions and abolish *ribā* and relieve the needy from borrowing on interest. Even bankrupt traders might be helped through them (*al-Murshid al-Amīn*, Chapter 1, Section 1).

Both al-Tahtawi and Abduh examined Western ideas on the criteria of Islamic sources before adopting any of them. In many cases they did not find any contradiction between the two except that the Muslims had lost and forgotten them, while the West adopted and developed them. The two scholars urged their people to regain their lost wisdom. They touched on some of the topics which became main issues of 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'ānic terms of *fi sabīl-Allāh* (in the way of Allah) and *al-'afw* (surplus), and so on (Islahi, 2015 [a]). In this way, they prepared the ground for the development of the discipline of modern Islamic Economics. Thus there is no surprise if "Certain economic ideas and practices now characterized as inherently Islamic are new creations; others, while not new, acquired religious significance only recently" (Kuran, p. 83). This is an outcome of awakening mentioned above and exercise of *ijtihād* (fresh and creative thinking) in the modern period. One should accept that there are host of shared values, tools and techniques.

Sixth phase (20th century): The modern development of Islamic economics is the sixth phase. It is resultant of three types of awakening mentioned above which were seen in the previous century and in the early twentieth century. A fourth factor also worked – the struggle between the two leading economic systems – Marxism and Capitalism - that fought to dominate each other. When Muslim scholars examined them closely they were convinced that Islam presents a middle economic path that combines the virtues of the two and eliminates their extremism, through divine prescriptions found in the Qur'ān and *Sunnah*. They were not satisfied with the Western economics that has materialistic bend, and value neutrality. They realized that self interest was not always helpful to serve

the social interest. The Muslim's belief in the Hereafter gave him different outlook towards economic activities. In this search, no doubt, the desire to live according to Islamic code of life has played important role. According to Siddiqi (2008, 5) "the whole thing about Islamic economics is an offshoot of the movement towards Islamic living that the second and third decades of the last century witnessed".

Historically it is not correct that the 'core positions' of Islamic economics 'took shape in the 1940s'. The first complete and comprehensive work on Islamic economics appeared during 1930s by Seoharwi. But the writings on topics that constituted elements of Islamic economics began from early 20th century. Here are a few names: in the Arab world Rashid Rida (1901, 1907), wrote on *zakāh*, financial difficulty, and interest, Mijawi and Burayhimat (1904) on economic teachings of Islam, Salih, (1933) on Arab-Islamic thought in the fifteenth century, al-Hashimi, (1937) on al-Biruni's economic thought, Ali (1939) on *al-ḥisbah* (market supervision), Shaltut (1940) on *zakāh* and taxation in Islam, al-Sawi (1942) on Islam and economic activities, etc. In the non-Arab world Aghnides (1916) did his Ph D. on *Mohammedan Theory of Public Finance*; Nadwi (1924) wrote on prohibition of interest; Ahmad (1924) on principles of wealth distribution and Islam); Nizami (1925) on *zakāh or Divine Income tax*; Khan (1928) obtained Ph D. on *Usury and the Principles of Mohammadan Law* from University of Oxford; Naqi (1933) on Commerce and Islam; and Datta (1939) on "Zakat: The Economic Basis of Islamic Tithe". Zakir Husain (d. 1969) who became third President of India in 1967 introduced economic ideas of some past Muslim scholars in 1932 in his lectures entitled *Ma'āshīyāt: Maqṣad aur Minhāj* (Economics: Purpose and Methods). These types of writings were non-existent in previous centuries. They created an environment to revive writing on Islamic economics.

Iqbal, the poet philosopher of Islam provided food for Islamic economic thinking through his poetry. Many elements of Islamic economics exist in his various couplets which were used as foundation for the later development of Islamic economics.¹⁶ He authored the first book in Urdu on Economics called *ʿIlmul-Iqtisād* (Science of Economics). It was an assignment from the Punjab Textbook Committee (Tahir, 2001, p. 1167). Naturally he had to follow the syllabus of the College during the British rule.¹⁷ There is no surprise if he had not introduced elements of Islamic economics in that textbook. It is also possible that his attention to the elements of Islamic economics was drawn after personally viewing the flaws of western economics during his stay in Europe for the expression of which he used his poetry an effective instrument.

From outside the Indian subcontinent, Kuran could not present any work on Islamic economics in the first half of the twentieth century except

¹⁶ Siddiqi (2009) has provided such a short selection from his Urdu and Persian poetry.

¹⁷ There is difference of opinion regarding exact date of its publication. According to Tahir it is confirmed that it was published in 1904. He supports this by the fact that Urdu magazine *Makhzan* of April 1904 announced it was 'recently' accomplished and published.

one by Sayyid Qutb (1906-66) of Egypt, entitled *al-‘Adālat al-Ijtimā‘īyah fi’l-Islām* (Social Justice in Islam) – a topic partly related to economics. More focused economics works were authored by Imam (1941), Nash‘at (1944), al-Ghazali (1947), Taman (1948), Makhluḥ (1948), al-Nabahani (by the end of 1940s), etc.

As far Qutb is concerned, he concentrated on matters of social justice. It will be extreme simplicity to think that "Under Mawdudi's influence, Qutb characterized Islam as a comprehensive and self-sufficient system" (Kuran p. 98). When Qutb authored his book in 1948, to the best of my knowledge none of Mawdudi's translations reached the Arab world. Mawdudi's influence did not cross the national boundaries yet. Kuran does not present any proof of this influence. In fact Qutb's work is independent of any outside influence.¹⁸ The perception that "Islam is a comprehensive and self-sufficient system" is common among the most of knowledgeable Muslims. But that does not mean that in the worldly affairs they cannot benefit from the wisdom and experiences of others.

The Pioneer Writers on Islamic Economics

There is no doubt that credit goes to Urdu language for producing first and second complete and exclusive book on Islamic economics in the modern period. The first book entitled "*Islām kā Iqtiṣādī Nizām*" (the Economic System of Islam) was by HifzurRahman Seoharwi who was a graduate of Deoband's Darul-Ulum (College of Sharī‘ah sciences), an institution always opposed to Jamaat-e Islami ideology. Before authoring it in 1939, Seoharwi (d. 1962) was with Abul-Kalam Azad (d. 1958) in 1934 in Calcutta (now Kolkata) the capital of Bengal which was center of the follower of communism. It is reported that students who used to visit Azad asked him "Is there no economic system of Islam?" For their guidance Azad suggested Seoharwi to write on economic system of Islam (Usmani, 2001, p. 18). It may be noted that Seoharwi was a member of Jam‘iat al-Ulama, a party opposed to Jamaat-e Islami and he was elected Member of Indian Parliament two times on the ticket of Indian National Congress. Azad, at whose behest Seoharwi wrote the book, himself was a nationalist leader. He was the face of communal harmony in modern India, renowned scholar and an active political leader and freedom fighter. In 1923, he was elected as the Congress President, thus becoming the youngest man ever to hold the post. He lived long not just to witness Indian Independence and the subsequent Partition, but also served as free India's first Education Minister.

While advocating the Islamic economic system Seoharwi criticizes socialism, capitalism and the other systems (Seoharwi, pp. 18, 19, 60, 324, 370, 381-82). He asserts that Islamic system is based on religious and ethical values (p. 25). It consists of virtues of all the other systems and

¹⁸ I had also got this verified from a top Islamic economist who had translated Qutb's work in Urdu and who is expert of Mawdudi's writings as well.

avoids their shortcomings (p. 39). It is blessing not only for Muslims but the entire humanity (p. 393). Involved in practical life, his emphasis is on applied aspects of Islamic economics.

The second most important text on Islamic economics was also authored by a scholar of the same school and ideology to which Seoharwi belonged. It was Manazir Ahsan Gilani (Guilani) (d. 1956) – a professor of Islamic studies at the Osmania University, Hyderabad (Hyderabad was a Muslim state at that time) in 1945. It is a dense volume which spreads over 566 pages. The title of his work is "*Islāmi Ma'āshiyāt*" (Islamic Economics). Gilani being a teacher the thrust of his book is theoretical aspect of the economy. He got the idea of writing a book on Islamic economics during his supervision of a Ph. D. candidate Yusufuddin on similar topic "*Islām ke mā'āhī Nazariye*" (Economic theories of Islam).¹⁹

The first book in English on a subject related to Islamic economics entitled *Islam and the theory of Interest* was authored by a professional Economist Anwar Iqbal Qureshi professor and head of the Department of Economics at the Osmania University Hyderabad. It has an interesting story:

It was in December 1938 that the annual Conference of Indian Economic Association (IEA)²⁰ was held at Nagpur. One of the Subjects of discussion in conference was the theory of Interest. Dr. Anwar Iqbal Qureshi, the then head of Economics Department, Osmania University participated in the discussion and pointed out the defects of prevailing theories of interest and ventured to suggest that "interest had done more harm than good to society as a whole; and you would lead to a better world if interest was altogether abolished" (Qureshi 1947). At this Mr. Findlay Sherras was annoyed and alleged that Dr. Qureshi was influenced by "the orthodox Muslim's Point of view" on the subject of interest. Qureshi responded him saying that he was speaking at the conference in his capacity as academic economist but he would be prepared to present the Islamic point of view with regard to interest at some late occasion. This event led him to author his famous work *Islam and the Theory of Interest* (Urdu 1945, English version in 1947).

Qureshi was never a member of Jamaat-e Islami. The foreword of book is written by a Hindu economist Professor Gyan Chand. Thus some major early works on Islamic economics were completed in Hyderabad State where Muslims were not facing the problem of 'identity' or 'protection'. Their concern was search for a balanced just economic system embedded in Islamic teachings and values.

Another work in English on Islamic economics before the Partition of India in the first half of twentieth century was authored by Shaikh Mahmud Ahmad. The title of his work is *Economics of Islam: A Comparative Study*. Its first edition came in

¹⁹ Yusufuddin's Ph D was completed in 1945 and was published in two volumes in 1950 consisting of total pages 750.

²⁰ The IEA is an association of academic and professional economists, which does not subscribe to any particular economic or political ideology. At the best, it provides a forum for professional economists and others working in the same field with the sole object of stimulating interest in the economic problems so as to help the development of sound and correct economic thinking with particular reference to the problems of this country.

1947. From its Preface it is known that the book was completed in 1946. He has acknowledged Abul-Kalam Azad and P. N. Dhar of Delhi University who helped him understand some problems (1952, p. vi). Dhar (d. 2012), a professor of Economics in Delhi University for many years, was one of the founders of the Delhi School of Economics. He served as the United Nations Assistant Secretary General, Research and Policy Analysis, in New York from 1976 to 1978. He also served as Principal Secretary to Prime Minister Indira Gandhi in the 1970s. This is a proof that Islamic economics was not developed to support and strengthen "political Islam," "Islamic fundamentalism," or simply "Islamism".

Hamidullah is also one of the pioneer writers on Islamic economics. He started writing on Islamic economics since early 1930s and authored many papers in English and Urdu on the subject.²¹ He lived in Hyderabad, then a Muslim state. He did not belong to Mawdudi's ideology, nor was in sight that the Hyderabad state will be annexed to India after a decade or so. Therefore for him also there was no question of "identity and protection".

The above mentioned pioneer works outside the circle and influence of Mawdudi and Jama'at-e Islami are enough to establish that it was not Mawdudi *alone* who promoted Islamic economics. In fact in the first half of twentieth century we could find only one tract of Mawdudi which has the adjective 'economic' – *Insān kā ma'āshī mas'alah aur uskā Islāmī ḥall* (*The Economic Problem of Man and Its Islamic Solution*). But it was not on "Islamic Economics". It was a speech delivered before a gathering of students at the Aligarh Muslim University in 1941, in which he stressed that 'only holistic common sense approaches are worth pursuing in seeking solutions' (Zaman, 2013).

Who did Coin the Term "Islamic Economics"?

Before we conclude it is worthwhile to answer this question. Many writers attributed the term "Islamic Economics" to different authors. Without any proof Kuran claims that it was Mawdudi who coined this term. He observes:

In addition to "Islamic economics," Mawdudi coined or popularized many other terms that quickly became key elements of Islamist discourse, including "Islamic ideology," "Islamic politics," "Islamic constitution," and "Islamic way of life" (Kuran p. 84).

This is absolutely not correct. A contemporary author, who is expert of Urdu, Arabic and English in addition to economics, after a survey of Mawdudi's works concludes that he never used the term economics (in Urdu *ma'āshīyāt* or *iqtiṣādīyāt*). He says:

²¹ For Dr. Muhammad Hamidulla's pioneering works on Islamic Economics see Islahi (2015 [b]).

The nouns economy and economics, and the adjective, economic, that can refer to either, translate the ambiguous Urdu words *ma'īshat*, *ma'āshīyāt*, and *ma'āshī*, Maulana [Mawdudī] used *ma'īshat* (economy), and *ma'āshī* (economic) not in the sense of English words, but based on their Arabic sense of livelihood, as a metonym[y] for livelihood arrangements. Even though *iqtiṣād*, *iqtiṣādīyāt*, and *iqtiṣādī*, respectively translate the three English words in their modern sense unambiguously, Maulana consistently used *ma'īshat* rather than *iqtiṣād*; with his firm command over all three languages, his choice cannot be attributed to carelessness. His intent clearly, given the context of his discourse, his disdain for academic economics, his intimacy with the Qur'ān, and his customary attention to language, was to use *ma'īshat* and *ma'āshī* (economy and economic) in their Arabic, rather than English, sense. A failure to appreciate this semantic ambivalence has misled many an English-speaking reader of texts in Islamic Economics (Zaman, 2011, p. 305).

It is clear from this that what Mawdudi wanted was change in the economic life of people, not 'economics' and he never used the term 'Islamic economics'. This makes the whole thesis of Kuran redundant. But the question remains to be answered who has coined this term? Following is my investigation in this respect:

In one of his articles, Kahf attributes it to Gilani. He says: "It [the term Islamic Economics] dates back to the late 1940s when it was used for the first time by a professor of Islamic studies in Osmania University, in India the late Sayyid Manazir Ahsan Gilani in an Urdu language book published in 1947 that he gave the title "Islamic Economics" [*Islāmī Ma'āshīyāt* in Urdu].²²

But earlier than that in 1939, Mawlana HifzurRahman Seoharawi published his book *Islām kā Iqtiṣādī nizām* (Economic System of Islam) and used the term "*Islāmī ma'āshīyat* (Islamic Economics) at several places (for example see 1969, pp. 35, 36). As noted earlier Seoharawi's work is *the first book exclusively on Islamic economics in modern period in any language*.

In fact it was Dr. Muhammad Hamidullah (1936, pp: 213-33) who coined this term first time in English in his paper "Islam's Solution to the Basic Economic Problems – the Position of Labour".

This is the earliest record which I came across during my studies. Possibility of even earlier use cannot be ruled out. It remains to be purposely investigated.

²² http://monzer.kahf.com/papers/english/methodology_malaysia.pdf

Concluding Remarks

Origins of Islamic economics go back to early period of Islam. Starting from the first century *Hijrah* (7th century CE), we find a chain of scholars who dealt with the economic issues like government revenue and expenditure, land management, the functioning of market, money and prices. Interestingly the Muslim scholars' contributions belongs to the period termed by Joseph Schumpeter (1997) as "Great Gap" in the evolution of economic ideas in his encyclopedic work *History of Economic Analysis*. Discovery of Muslim economic thinking is discovery of *the missing link in the history of economic thought*. Islamic economic doctrine passed through six distinct phases before it developed as a distinctive discipline. These phases are early formation period; translation of Greek ideas, commentary and additions; transfer and transmission of Greek ideas along with their own additions and commentaries through retranslation of Arabic sources to European languages; followed by a long period of repetition and imitation; then awakening as a result of mass contact with the West; and finally articulation and development of 'modern' Islamic economics.

Exclusive writing on the subject of Islamic economics is a twentieth century phenomenon. Writing on economic thought of Islam and economic problems with Islamic perspective started mainly as a result of interaction with the West, establishment of modern institutions, availability of translations of Western works in native languages, and publication of classical Islamic sources and non- satisfaction with the prevailing economic systems of the time – capitalism and communism. Modern Islamic economics developed mainly in two regions – Indian subcontinent and Middle East – as the two regions confronted similar situations, although Indian scholars played the leading role. It is not a product of any single person or party. It was also not for the sake of 'identity' or 'protection'. Scholars from the Arab world faced no such problem. Some major early works on Islamic economics were completed in erstwhile Hyderabad State where Muslims were not facing the problem of identity or protection. Their concern was search for a balanced just economic system embedded in Islamic teachings and values. Even the term "Islamic economics" was coined by a Hyderabadi scholar.

Again it was not a sectarian economic system. Writers on the subject presented it as the best alternative to the existing systems, and best solution to economic problems of humanity. It is this reason that now Islamic economics is not confined to Muslims scholars and practitioners. A number of non-Muslim are also academically involved and many advanced non-Muslim countries are using its various products related to banking and finance.

In one of his articles the eminent British economist Rodney Wilson exposed the intention of the opponents of Islamic economics and finance. He remarks: "The main impediments to the growth of Islamic banking in

North Africa have been political, as it has been wrongly associated with Islamist political parties, notably the Muslim Brotherhood."²³ If this is so, one can easily perceive the motive behind wrongly ascribing Islamic economics to 'Mawdudi', 'Jamaat-e Islami', 'fundamentalism', 'Islamism', 'political Islam', 'identity creation', 'protection' and what not. We have seen in the preceding pages that all these assertions are baseless.²⁴ Modern Islamic economics is product of the existing socio-economic and intellectual environment in early twentieth century. It was developed by scholars of diverse ideologies and affiliations. The propounders aimed at blessing for the entire human beings.

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²³ Cited from Wilson's IDB Prize Laureate Lecture entitled "Islamic Finance and Economic Development: Lessons learnt" (2014). The same point he has elaborated in his earlier work *Islamic Banking and finance in North Africa: Past Development and Future Potential*, African Development Bank, Tunis (2011), 1-52.

²⁴ For a full exposition of Kuran's biased style and negative attitude towards Islamic economics refer to Alamasi (2000). See also Mirakhor (2007, pp. 26-27).

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