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Islamic Economy: Economic or Political Approach?

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Abstract

Several Muslim economists have tried the development of a so-called Islamic economy. Its emergence has been the subject of several criticisms since it is regarded as a resistance and renouncement of Islam against the influence of the West. Assuming that it is hardly a discipline in its own right in which scientific analysis is paramount, but an instrument of pronging and endorsing Muslim thought. This special status, in general with the scientific vision of the economy, explains the many national debates within the discipline itself. The objective of this work is to make a flashback to the conditions of birth and development of the concept of Islamic economy, to deal with its political dimensions before questioning the religious legitimacy of its Islamic financing.

Keywords: Economy, Islamic Finance, Islamic Economy, Politicized Economy

JEL Classification: G0, G21, O10

Introduction

The "Islamic economy", a deeply modern concept born in the 1940s, has undergone profound changes over the years. It first operated from an identity perspective: backed by a vision of Islam as a globalizing system, it was intended to be a third way, an alternative to the other dominant economic paradigms, liberal capitalism and communism. However, the reflection on the Islamic economy traced less a third way than it oscillated between the two paradigms that it initially intended to overcome before gradually rallying the networks and credos of liberal globalization. Indeed, if it is characterized by its political indeterminacy (it can be anchored on the left as well as on the right), the first "socializing" moment of the Islamic economy (in the 1950s and 1960s), which was more narrative and theological-philosophical, will give way, from the 1970s onwards, to Islamic finance, a technical and modelizable knowledge that is better able to blend into financial globalization. It is also much more in tune with its new promoters: the sharia compliant financial institutions that were developing at that time in the Gulf countries (Qutb, 1955). These institutions will tear the Islamic economy out of its initial militant matrix and impose its right-wing shift. It is no longer ideologues, but a body of specialists, technicians and "financial ulemas", who will contribute to the spread of banking practices legitimized by the reference to Islam and ensure their integration into the international financial circuits. In this new framework, finance not only integrates market institutions, but also allows itself to be infused by its "culture" (management, the cult of success, the value of enrichment). It loses its initial verve of identity and ultimately aims less at the global alternative than at creating a niche in a liberal capitalist economy accepted in its foundations. As a result, it becomes acceptable, including for non-Muslims.

And in fact, with the 2008 financial crisis, acceptability is turning into a craze. The French right had no problem in combining identity slings against hijab and other burka and benevolence for the various products marketed by Islamic finance operators. In the world of finance, Islam is no longer perceived in terms of identity, but in a pragmatic vision, namely a sector marked by strong growth potential and an ability, through its prohibition, in particular, of speculation and interest, to moralize a financial capitalism highly criticized for its abuses. Half a century after its birth, the Islamic economy - which has become finance - is now part of an approach that is far removed from the context and the spirit of protest that animates the founding fathers. However, if Islamic finance is now reconciled with a certain globalization, this ideological alignment is also at the expense of a real reflection on social justice, a central objective for the pioneers of the Islamic economy, but largely overlooked in its "normalization".

1. Return to the birth of the "Islamic Economy"

The Islamist economy is a modern concept that initially operated on the basis of identity. The aim was to lay the philosophical foundations for an Islamic "third way" in the field of economics, which would turn Marxist and liberal approaches to the economy against each other. At the very beginning of the 20th century, the Indian philosopher and poet Muhammad Iqbal (1873-1938) was the first to address economic and Islamic issues in a 1902 book (*Al Faruqim*, 1982). It is then mainly the underdevelopment of Muslims in relation to the technical and economic superiority of the colonial power that is questioned by Iqbal (Feillard, 2004). We find the idea of an "Islamic economy" a little later by Abul Ala Mawdudi (1903-1979), an Indian and then Pakistani intellectual and activist among the most influential in the thought of political Islam (Nasr, 1996), who was at the origin of the formation of the militant group *Djama'at'at'Islâmî* (1941). Mawdudi was the main reason for the popularization of this concept (Kuran, 2005). In the 1940s and the three decades that followed, notably in his book *The Economic Problem of Man and its Islamic Solution*, first published in 1941. Mawdudi's reflections are largely marked by the question of the underdevelopment of Muslim countries and the solutions to be found (Chapra, 2004). This economic issue, which mobilizes the reflections of Muslim intellectuals and scholars, is expressed in the context of a quest for identity that is particularly strong in the Indian context of the 1940s. This identity paradigm is found in thinking The Islamist economy is a modern concept which, in the first instance, functioned at the level of identity. The aim was to lay the philosophical foundations for an Islamic "third way" in the field of economics, which would turn Marxist and liberal approaches to the economy against each other. At the very beginning of the 20th century, the Indian philosopher and poet Muhammad Iqbal (1873-1938) was the first to address economic and Islamic issues in a 1902 book. It is then mainly the underdevelopment of Muslims in relation to the technical and economic superiority of the colonial power that is questioned by Iqbal. We find the idea of an "Islamic economy" a little later by Abul Ala Mawdudi (1903-1979), an Indian and then Pakistani intellectual and activist among the most influential in the thought of political Islam (Chapellière, 2009), who was at the origin of the formation of the militant group *Djama'at'at'Islâmî* (1941). Mawdudi was the main reason for the popularization of this concept in the 1940s and the three decades that followed, notably in his book *The Economic Problem of Man and its Islamic Solution*, first published in 1941. Mawdudi's reflections are largely marked by the question of the underdevelopment of Muslim countries and the solutions to be found. This economic issue, which mobilizes the reflections of Muslim intellectuals and scholars, is expressed in the context of a quest for identity that is particularly strong in the Indian context of the 1940s. This identity paradigm is found in the thinking of the Islamic reformist movement, from al-Afghani (1838-1897) to Hassan al-Banna (1906-1949), the founder of the Egyptian Muslim Brotherhood. Thanks to the contributions of Abul Ala Mawdudi and Hassan al-Banna, the concept of "Islamic economy" will take on a new dimension. Abul Ala Mawdudi starts from an observation, that of the inferiority of Muslims. He sees this as the direct consequence of their Westernization [5], which would have led to a relegation of religion to the private sphere, thereby depriving Muslim societies of their main identity and "civilizational" resource: Islam. However, Mawdudi and Hassan al-Banna believe that Islam is not just a simple belief, but a global system of life (*shumuliyya*). The solution to inferiority lies in the redeployment of the religious reference in all areas of private and public life, including the economy. Islam, as a totalizing system, is then logically seen as a total alternative to the two rival systems of the time: communism and capitalism. This positioning is central to Muhammad Baqer's book *as-Sadr* (1935-1980), *Iqtîadouna* (Our Economy). Published in 1961, the book offers a scholastic style typical of the reformist

movement of the early 20th century, marked by the desire to propose a "true aggiornamento identitariste du religieux, feeding on its polemical relationship to the West by striving to give it the attributes of otherness" .

3. Islamic economy or politicized economy?

Among the reformist Muslim authors addressing this economic and political theme, several approaches will emerge. Abul Ala Mawdudi in 1941, Sayyed Qutb in 1949 and 1950, Muhammad Baqer as-Sadr in 1961 were all proud to propose in their arguments a third way against the other two communist and capitalist systems, but their positions were far from uniform. Indeed, the Islamic economy, far from clearly defining the features of a clearly identifiable third way, has from the outset polarized itself between a liberal thinking and another more socializing approach. It is Abul Ala Mawdudi who will pave the way for a liberal positioning in the reflection on the Islamic economy. His posture is based on the Koranic verses guaranteeing private property and the complete morality of lawfully acquired gains. Abul Ala Mawdudi and the authors who followed him on this path also insisted on the prohibition of interest (riba). This orientation was expressed in the publication by Muhammad Baqer as-Sadr in 1969 of *Al-Bank al-la Ribawi fi al-Islam* (the bank without interest in Islam). This true book of banking practice without recourse to interest marked the first steps of Kuwaiti and Saudi banks (Mallat, 2004) ,(Wilson, 1998). The liberal dimension of this school is also reflected in its focus on criticizing the economic vision of communism (Carré, 1991). The distribution of income and wealth is discussed, but on a liberal basis. While they oppose the exploitation of the disadvantaged by the wealthy, the authors of this trend consider wealth and income disparities to be natural. And, in so doing, they consider the quest for equality, which they consider to be an obstacle to economic dynamics, to be futile . On these premises, the emphasis is therefore not on the social structures for organizing equality or justice, but on the necessary morality of society (Mawdudi, 1941). Muhammad Baqer as-Sadr thus presented society as divided into three classes: one enjoying, thanks to its talent and abilities, a high standard of living and a wealth enabling it to enjoy a comfortable lifestyle; the other being able only to provide for basic needs through its work; and finally, the disinherited social class which, physically or mentally weakened, cannot survive despite its efforts (Wilson, 1998). The State must help the latter group while ensuring that it does not penalize the members of the former group, who create the wealth that will ensure the sustainability of the socio-economic system. This positioning will lead Muhammad Baqer as-Sadr to be qualified as a rawlsian. On the other hand, it existed quite early in the reformist movement - and for the most part in the sphere of the Egyptian or Syrian Muslim Brotherhood - but also in Iranian Shiism through a figure such as Ali Shariati (1933-1977), a socialism of Islamic inspiration (Yavari,1985), (Rahnema,2000). Some authors of the Islamic left will present the Islamic legal principle of the common interest (maslaha) as one that could lead the state to confiscate land or means of production if the principle of equality is threatened (Square, 1991). The egalitarian ideal is much more pronounced than that of the Liberals who accepted social inequalities as an inevitable reality (Mawdudi, 1941) .

They will thus elaborate a socialism which, even if it claims to be a distinct path, often happens to be an attempt to bring it into line with secularizing Arab socialism. While Abul Ala Mawdudi and Muhammad Baqer as-Sadr speak distinctly of "Islamic economy", the theorists of this socially sensitive Islam more readily speak of "Islamic social justice", which also addresses economic issues in a less technical and legal than political and ideological way. Thus Sayyed Qutb published *The Struggle between Islam and Capitalism* in 1950, Mohammad Al Ghazali (1917-1996) in the same year, *Islam - The Crossroads between Communists and Capitalists*, a book in which the Egyptian author makes a distinction between Marxism and Socialism, Abdel-Qadir'Awda (1906-1954) published, in 1951, *The Wealth and the State in Islam*. Mustafa al-Siba'î (1915-1964) A Syrian Muslim Brother published a now famous booklet, *Le socialisme de l'islam*, in 1959. These works were created in the emerging context of Arab socialism in the Middle East and a vigorous and influential Nasserism. They emphasized the social justice of Islamic utopia and established zakat, the mandatory almsgiving as a fundamental principle of social solidarity (Jouini,2009) . Hassan Hanafi (born in 1935) is another key contributor to the reflection on socialism of Islamic inspiration. These reflections led to the emergence of the first Islamic banks in Egypt. At that time, their activities were limited to rural savings banks and were inspired by the German rural banks of the post-World War II period. Ahmed al-Naggar, a pioneer in this field in Egypt in the 1960s, conceived Islamic banks "as both local and cooperative savings institutions, modelled on what he had observed in Germany during a study visit, and simply adapted to the context of Muslim societies". He had also been able

to establish such an institution, named Mit Ghamr, after a rural commune in the Nile Delta (Galloux 1993) [18]. This polarization of the theorists of "Islamic economy", a concept now linked to the broader idea of shumuliyya, shows how political Islam, despite its identity paradigm, has always been deeply permeable to Western political ideologies and traditional left-right debates, particularly between the two wars. The Islamic economy, far from being on the third path, has therefore been deeply dependent on the recompositions of the world ideological scene: oscillating for two decades between liberal and socializing versions, it will take its right turn in the 1970s, a decade that saw the victory of liberal and capitalist Islamic economies over the more socializing versions.

4. Islamic Financing: Is it Islamic?

It was in the 1970s that Islamist finance emerged as a specialized discipline in the Gulf countries newly boosted by the oil windfall. It was also at this time that Nasserism lost its lustre and a new perspective was given to socialism, which was also increasingly perceived as colonial (Dot-Pouillard, 2008), particularly following the Soviet invasion of Afghanistan in 1979. The petrodollars will allow the major oil-producing countries of the Gulf to free up the financial resources to set up the first commercial and international Islamic banks in the mid-1970s (Boltanski, 2002). In the 1980s, the successors of Abul Ala Mawdudi and Muhammad Baqer as-Sadr proposed more economically oriented analyses, making extensive use of mathematics and econometric models (Haneef, 1995). Authors such as Siddiqi (born 1931), Khurshid (born 1932), Chapra (born 1933), Naqvi (born 1935), Kahf (born 1940) or Abdul Mannan (born 1952) published extensively from the 1980s onwards works that were much less explicitly politicized and therefore less influenced by comparative logic (Haenni, 1999). The broad and political concept of the Islamic economy is thus increasingly becoming a technical knowledge largely reduced to Islamic finance. The dynamics are once again in line with the global trend towards the financialisation of the economy and the deregulation of capital. Intellectual productions are then logically much more inductive, strongly linked to the new situations encountered in the field of daily financial operations. The authors, in their vast majority of Indo-Pakistani culture, happen to be specialists working around the headquarters of the Islamic Development Bank (IDB) in Jeddah, Saudi Arabia. The technicisation of Islamic finance is taking shape, and is increasingly free from the ideological positions of the first Islamic economists. Inclusion in the international financial system is required, but the reality of Islamic finance remains a matter for insiders: professional practitioners and Muslim lawyers. A body of specialists is being formed in these new institutions, deeply oriented by the emergence of an increasingly financialized capital whose liquidity in the Gulf countries is in demand. By turning to the right, the Islamic economy has therefore become technological and financialized. It is less and less the business of ideologues and more and more of a body of specialists and technicians. Far from the alternative desired by the first thinkers of the Islamic economy, it is entering a phase of both cultural normalization (by reconciling itself with the market and the liberal credo) and economic and ideological trivialisation (by inclusion in the international financial system).

Conclusion

At the end of this brief study, it appears that we cannot talk about the implementation of a real Islamic economic system in the Arab countries, particularly in the Gulf countries and primarily in Saudi Arabia. The considerable increases in oil prices, benefiting mainly the "Muslim" Arab countries, have resulted in a change in the balance of power in the Arab region to the benefit of the latter countries. The expansion of Islam thus appeared to be a response to Baathist and Nasserian ideology, hence the means conferred for this purpose through the cooperation mechanisms set up within the framework of the various Islamic conferences. At the local level, the organization of the economy, strategies for investing financial surpluses abroad, and the functioning of the banking system continued to meet the traditional standards of the Western model as in the past. The long-standing and persistent mistrust of Islamic banks in Saudi Arabia is significant in this respect. Islam has therefore remained an external showcase of the Saudi State rather than a way of organizing the economy. The existence of a weak Zakat and the absence of other taxation in the countries is more similar to the behaviour of a rentier state at the top of the Welfare State than to a concern for the economic organisation of the whole country according to Islamic standards. In this respect, there is a total difference between Saudi Arabia and the Gulf countries on the one hand and countries such as Iran and Pakistan seeking a practical and widespread version of the Islamic caliphate model on the other. The extent and number of research carried out in this direction by researchers in these

countries, and in particular in Pakistan (see bibliography), clearly shows that the Islamisation of the economy remains a concern for non-Arab Muslim countries and certain minorities of Muslim migrants in Western countries who are committed to the principles of the prohibition of interest. The collapse of oil prices and its impact on Arab States' revenues will - in our view - have the effect of exposing the Islamic illusion in its relationship with the organization of the economy. However, Islamisation remains more than ever the rationalising element of Saudi external actions and the unparalleled means of building a substantial pilgrimage rent, the advantage of which with regard to oil rent is its permanent and renewable nature.

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