

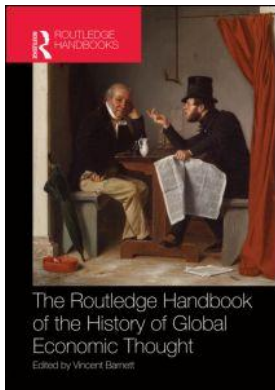
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Arab-Islamic economics

S.M. Ghazanfar

The primary purpose of this chapter is to provide a survey of economic thought originating with some Arab-Islamic scholars whose writings extend over several (medieval) centuries. The term “Arab-Islamic” is to be broadly interpreted. Several Islamic scholars had their origins in Persia (part of the Seljuk Dynasty, 1038–1194), others in Abbasid Baghdad, and yet others in the Mediterranean Al-Andalus (Islamic Spain). The word “Arab” may be viewed not so much as relating to a scholar’s geographical origins, conceived in terms of the nation-states that now exist in the contemporary Middle East, but more to the fact that Arabic was the main language of their scholarship. Aside from being the language of the Holy Qur’an, Arabic was the lingua franca of the era, “the main vehicle of culture” (Sarton, II, 109). Even several Jewish scholars wrote their major works in Arabic (e.g. Moses Maimonides, 1135–1204; Ibn Gabirol, 1021–58).

Specifically, the chapter will focus firstly on four such scholars who wrote on economic matters during the pre-Renaissance period, before the emergence of Latin scholastic economics typically associated with St. Thomas Aquinas (1225–74). Then the chapter will discuss some salient features of what has come to be known as Islamic economics, much in discussion in recent decades.

It is appropriate to note the notion of the historical “gap” that has been promoted in intellectual history, which has been the stimulus for several papers on the subject (Ghazanfar, 1991, 2003). Joseph Schumpeter propounded the “great gap” thesis in his *History of Economic Analysis*. After arguing that the “study of doctrinal history” is “historically conditioned,” he suggested that while “economic thought started with the Greeks” over 2,000 years ago, “many centuries within that span are blanks,” until Latin-Scholasticism emerged with St. Thomas Aquinas (Schumpeter, 1954, 4–6, 52). That is, for over 500 years, nothing of any significance to economics was discussed anywhere else. As one scholar noted, such a stance is “all the more disappointing,” as Schumpeter “must have been well aware of the fascinating process of cultural diffusion” between the Arab-Islamic civilization and Europe (Bernardelli, 320). Thus, Schumpeter perpetuated a well-embedded tradition in the literature: a denial of literary history to the rest of the world, specifically to the early Islamic world, although lately there is some acknowledgement of Muslim scholars’ economic thought in mainstream texts (Landrem and Colander).

Early Arab-Islamic economic thought

While there has been, until recently, almost uncritical acceptance of the “gap” thesis, there is an exception to be noted. Joseph Spengler wrote a paper about 50 years ago, in which he explored the economic thought of a late-medieval, “post-blank centuries” Arab-Islamic scholar, Ibn Khaldun (1332–1406). He noted, “One is compelled to infer from a comparison of Ibn Khaldun’s economic ideas with those set down in Muslim moral-philosophical literature that the knowledge of economic behavior in some circles was very great indeed” (Spengler, 1964, 304). Another scholar referred to Ibn Khaldun as “among the fathers of economic science,” but he concluded that he was an “accident of history without predecessors and without successors” (Boulakia, 1118, n. 3). Yet, Ibn Khaldun was in the news during the Ronald Reagan era; the Laffer curve, identified with supply-side economics, is derived from Khaldun’s writings and one scholar called it “the Khaldun curve” (Siegel). Also the mainstream media published articles linking Ibn Khaldun’s analysis to Reaganomics (Hardcastle).

Be that as it may, by and large, the general tendency has remained one of a complete *lacuna* over intellectual evolution elsewhere during those centuries. Illustratively, one prominent text on the subject noted “it is inconceivable that there was no ‘economic thought’ over so many centuries – even in the Dark Ages” (Newman, et al., 15): yet no attempt to explore further.

As the main task, while 30–5 Arab-Islamic scholars can be identified writing on economic issues during the “blank” centuries, this chapter will focus on four such early medieval scholars (M.N. Siddiqui, 1981). These are: (1) Abu Yusuf (731–98); (2) Alberuni (973–1048); (3) Al-Ghazali (1058–1111); and (4) Nasir al-Din Tusi (1201–74). It may be noted that these scholars wrote within many diverse fields of knowledge, and their writings, as those of their European-Latin counterparts, emphasized the integrative, holistic approach to learning. Thus, their scholarship, highly normative but with major positive themes, was not dominated by the economic aspects of life, though some Arab-Islamic scholars did write separate volumes, or had separate chapters, devoted to economic issues. Further, several economic concepts and principles identifiable in their writings are remarkably similar to those found in the works of the Latin-European scholastics and their later European successors.

Abu Yusuf (AD 731–98)

While there were other Arab-Islamic scholars and jurists who wrote on economic issues almost from the inception of Islam, one of the earliest is Abu Yusuf. He lived during Baghdad’s Abbasid Caliphate of Harun al-Rashid (763–806) and served as his chief justice. He addressed a long narrative to the Caliph, later to become known as *Kitab al Kharaj (The Book of Taxation)*. Relevant to economics, his main interests were public finance and taxation, distribution and cultivation of land, regulation of prices, economic responsibilities of the state, and usurious transactions. Abu Yusuf’s works have been studied by several writers (Tuma, Fariq, M.N. Siddiqui, B. Siddiqui, and Haq).

While discussing agricultural activities, Abu Yusuf favored a proportional tax on agricultural produce, rather than a fixed rent on land. This, he thought, would not only be just, but also conducive to larger revenue by providing incentives to bring more land into cultivation. He also offered insights concerning the administration of agriculture in new territories, agricultural estates, their cultivation and distribution, tenancy conditions, problems relating to water supply, fisheries, forests and pasture lands, and general public works (such as roads and bridges, and canals for irrigation and transportation).

A controversial point in Abu Yusuf's economics relates to price controls. He was generally against price-fixing or price controls on the part of rulers, but he distinguished between conditions when such controls may or may not be permissible. He talked of an abundance of grain not being the reason for low prices nor scarcity the reason for high prices. One commentator points out that this assertion does not mean a denial of the role of market forces in determining prices; rather, it reflects something that Abu Yusuf observed around him – the possible coexistence of abundance and high prices, and of scarcity and low prices (M.N. Siddiqui, 1964, 86). Elsewhere, Tuma has noted that during the period when Abu Yusuf wrote, the rulers generally solved the problem of rising prices not by price controls, but by increasing the supply of food grain. Economic discourses as well as the practices at the time leaned heavily in favor of allowing the free play of market forces. However, there was also emphasis on ridding the markets of hoarding, monopolies, and other corrupt practices (Tuma, 1965, 14).

The main strength of Abu Yusuf, however, lies in the area of public finance. Aside from the principles of taxation and the responsibilities of the state concerning the welfare of the society, he provided discussion on promoting economic development, especially in agriculture, by building socio-economic infrastructure. Further, guided by his deep concern for the common good, he exhorted the rulers to work toward eliminating oppression and promoting social justice (Fariq, 24). In discussing taxation, Abu Yusuf also delineated certain principles which anticipate those proposed several centuries later by Adam Smith as the "four canons of taxation" (equity, certainty, convenience, and economy). He talked of easing the burden on taxpayers by taking into account their ability to pay, and convenience regarding time, place and manner of payment. He also discussed the distribution of tax revenue and various types of taxes such as taxation of agricultural land and commodities, death duties, and taxes on imports. He favored centralized tax administration, with strictly supervised salaried tax collectors, so that corruption is prevented (see Siddiqui and Ghazanfar, 2001).

Abu Al-Raihan M. Ibn Ahmed Alberuni (973–1048)

Alberuni was "one of the greatest scholars of medieval Islam, and certainly the most original and profound" (Spengler, 1971a, 93), and "one of the very greatest scientists of Islam and, all considered, one of the greatest of all times" (Sarton, vol.I, 407). Like several other Arab-Islamic scholars (e.g. Ibn Mishkawai, Ibn Sina, Fakhr al-Din Razi, Nasir al-Din Tusi), Alberuni was born in Persia (Iran); all of them, however, are generally identified with Islamic civilization, and Arabic was the primary language of their discourses.

Two of Alberuni's most famous works, both edited and translated by Edward C. Sachau, are *Alberuni's India* (2 volumes, 1887), and *Chronology of Ancient Nations* (1879). More relevant to our topic is *Alberuni's India*. Two major, interrelated themes are identifiable here, and both have significant implications for economics. One pertains to the concept of "Social Darwinism," with its self-interest, unbridled market implications; and the other, perhaps more important, relates to the "population–food" dilemma, usually associated with the name of Thomas Malthus (1766–1834).

Writing in 1943, a Russian scholar, T.I. Rainow, argued that one may find the "whole theory of Darwinism already expounded more than eight hundred years before the publication of the theory of natural selection." Rainow is quite emphatic:

Thus, in modern language we could express this thought of Alberuni as follows: Nature performs natural selection of the most adequate, well-adapted being through the extermination of others, and, in this case, it proceeds in the same way as farmers and

gardeners. We see, therefore, that Darwin's great idea of natural selection through the struggle for life and survival of the fittest was already reached by Alberuni approximately eight hundred years before Darwin. It is true that he seized it in the most general outlines only, but, curiously enough, even the very meaning and the way in which he came to it were the same as Darwin's. The latter, as we know, discovered natural selection by observation of the methods of artificial selection, as applied by animal breeders.

(quoted in Wilczynski, 459)

Several arguments in Alberuni's writings, according to Rainow, pre-echo the "theory of evolution," "natural selection," and "survival of the fittest" themes of Charles Darwin (1809–1882) – concepts which "influenced some, but by no means all, of the streams and schools of economic thought" (Oser, 373).

Alberuni talked in terms of "selectivity" and "evolution" with respect to plants, animals, and human beings. According to Wilczynski, similarities with Darwin's idea are detected in the following paragraphs:

When a class of plants or animals does not increase any more in its structure, and its peculiar kind is established *as a species* of its own, when each individual of it does not simply come into existence once and perish, but besides procreates a being like itself or several together, and not only once but several times . . . Nature proceeds in a similar way; however, it does not distinguish, for its action is under all circumstances one and the same. It allows the leaves and fruit of the trees to perish, thus preventing them from realizing that result which they are intended to produce in the economy of the nature. It removes them so as to make room for others.

(Alberuni, vol.I, 400)

Thus, Alberuni suggested that the pressure of increasing numbers would give rise to natural selection, though not to selection so favorable as that conducted under human guidance. Wilczynski cautiously concludes that "some views resembling the basic principles of Darwin's future doctrine are undeniably to be found" in Alberuni (Wilczynski, 466). Spengler acknowledges that arguments such as these "led some to look upon Alberuni as a precursor of Darwin" (Spengler, 1971a, 95–96).

The other closely related theme, the "population–food" dilemma, emanates from this astute observation by Alberuni: "The life of the world depends upon sowing and procreating. Both processes increase in the course of time, and this increase is unlimited, whilst the world is limited" (Alberuni, vol.I, 400). Alberuni was clearly talking in terms of the effect of excess (unlimited) reproduction on the limited area of the world, reference being to the "limited resources/unlimited needs" premise of economics. This "finite world/infinite needs" dichotomy persuades Wilczynski to acknowledge that "this corresponds to the central idea of Malthus on the disproportion between the increase in the rates of reproduction and means of subsistence" (Wilczynski, 460). As with the theories of Darwin, Alberuni seems to be a forerunner of Malthus.

Not only is Alberuni aware of the aforementioned dilemma, but he also provides an early version, or at least an awareness, of the law of diminishing returns:

The agriculturalist selects his corn, letting grow as much as he requires and tearing out the remainder. The forester leaves those branches which he perceives to be excellent, whilst he cuts away all others. The bees kill those of their kind who only eat, but do not work in their beehive.

(Alberuni, vol.I, 400)

According to Spengler, “Alberuni points out that since the growth of man’s numbers is limited by the capacity of the environment to provide support, the earth could become overpopulated and in need of a thinning of its numbers” (Spengler, 1971a, 96). Spengler concludes that Alberuni failed “to put forward a rational explanation and to postulate [a] natural corrective mechanism.” However, borrowing from Plato’s *Laws* and *Timaeus*, Alberuni discussed demographic situations and unavoidable disasters which destroy communities and force survivors to begin anew, bringing civilization and its accompanying evils and vulnerabilities back into existence. Thus, it is clear that Alberuni does provide some economic-demographic implications of the shrinking economic base.

With respect to the population theory, Spengler concludes that Alberuni recognized (1) “the growth of anything is limited by the environment accessible to it,” and (2) “since the capacity of growth of a species is unlimited, its actual growth is restrained by limited and (apparently) almost exclusively external agents.” Then, Spengler argues that Alberuni “did not seek to identify, as did Malthus, the natality-curbing as well as the mortality-curbing checks” on population (Spengler, 1971a, 101). However, upon closer scrutiny, one finds that Alberuni does discuss some of these checks (“deluge or an earthquake,” “contagious and other diseases, pestilence, and more of the like”). Furthermore, he must have been aware of the only natality-curbing check known at the time (“coitus interruptus”) which had been condoned by Judeo-Christian-Islamic traditions centuries earlier. Eight hundred years later, Malthus talked in similar terms, including marital postponement, celibacy, etc. Interestingly, Spengler acknowledges that “Alberuni expressed himself much as did Malthus nearly a millennium later, though without anticipating Darwin” (Spengler, 1971b, 160).

Further, one must speculate if Alberuni’s works were available to Malthus and Darwin as background for their discourses, just as Malthus’ work was accessible to Darwin (Spengler, 1971a, 95). Certainly, much of Arab-Islamic scholarship was translated into Latin during the “age of translation” covering the tenth to thirteenth centuries. There is evidence that Adam Smith had numerous volumes of Greek heritage in his own library (Lowry, 1979, 72), and he makes numerous references to Arabs in his *Wealth of Nations* (1776). It is quite possible that Darwin and Malthus had access not only to the Greek literature via Arab mediation, but also to the Arab-Islamic literature via their Latin translations.

Abu-Hamid Al-Ghazali (1058–1111)

This eleventh-century Arab-Islamic scholastic has been “acclaimed as the greatest . . . certainly one of the greatest” (Watt, 1963, vii), and “by general consent, the most important thinker of medieval Islam” (Bagley, 1964, xv). Al-Ghazali was born in Tus (in Persia) but then lived for a time in Baghdad and Damascus, before returning again to Tus. While the influence of numerous Arab-Islamic writers upon European scholastics is well-known, Al-Ghazali’s role is especially significant in the following respect. According to Myers, “since Al-Ghazali placed science, philosophy, and reason in position inferior to religion and theology, the Scholastics accepted his views which became characteristic of most medieval philosophy” (Myers, 40). Further, Al-Ghazali’s “work was paralleled by Thomas Aquinas in the discourse on Christian doctrine and in other portions of the *Summa Theologica*” (Jurji, 313).

Much of Al-Ghazali’s discourses on economics are to be found in his four-volume *Ihya Ulum al-Din (Revival of the Religious Sciences)* and his contribution to economics is remarkably sophisticated and similar to what we find in contemporary discussions (Ghazanfar and Islahi, 1990). Incidentally, the *Ihya* volumes “were translated into Latin before 1150” (Myers, 39). Al-Ghazali’s economics begins with a rather well-defined social-welfare function, based

upon specific socio-economic goals as well as guidelines for the “prioritizing” of individual and social needs (material and non-material). He discusses a hierarchy of needs-necessities, conveniences or comforts, and luxuries, reminiscent of the Aristotelian tradition.

More specifically, Al-Ghazali’s scholarship reveals deep understanding of a voluntary market-exchange that “naturally” evolves among free individuals guided by self-interest and mutual necessity, in an environment where there is competition as well as cooperation. He shows rather astute awareness of the operation of markets and price-determination through the forces of demand and supply, including shifts in them due to factors other than price. Further, he develops a detailed code of ethics concerning participants’ market behavior. And, while warning against worldly evils, Al-Ghazali acknowledges – indeed, mandates – the need for economic pursuits, both private and public (Ihya n.d., vol.II, 60, 83). In fact, he accords such activities an aura of piety and nobility by constant reminders as to their religious sanctity – a “calling” (Ihya n.d., vol.II, 63, 249).

When discussing productive behavior, Al-Ghazali provided a tripartite hierarchy of production activities: basic industries (agriculture), ancillary (manufacturing), and complementary (processing and services). He talked in terms of interdependence as well as stages and linkages in production – e.g., anticipating Smith, “the farmer produces grain, the miller converts it into flour, the baker prepares bread from the flour” (Ihya n.d., vol.IV, 128). And, he recognized the need for a division of labor and specialization in all economic endeavors: analogous to Smith’s pin-factory example seven centuries later, Al-Ghazali elaborated these concepts by using the example of a needle (Ihya n.d., vol.IV, 119).

Al-Ghazali began with a barter-system in discussing voluntary-exchange behavior, and then identified associated problems such as the lack of double-coincidence of wants, indivisibility of goods due to lack of a common denominator, and limited specialization (though he did not use such contemporary terms). He defined various functions of money, much as one finds currently, the most important being the medium of exchange. Then he discussed the use of gold and silver coins, and after arguing that money itself was “useless,” he criticized its conversion into other objects. Further, he discussed the harmful effects of counterfeiting and currency debasement, anticipating similar observations by Nicholas Oresme during the fourteenth century, and Thomas Gresham, Richard Cantillon, and others much later. Indeed, Al-Ghazali developed an early version of the “Gresham’s Law” (“bad money drives out good”). Further, as with other Arab-Islamic and European-Latin scholars, Al-Ghazali condemned usury, for it causes money to deviate from its key function – i.e. a medium of exchange.

Al-Ghazali wrote a special treatise on the role of the public sector in the economy. He discussed the topics of public finance-taxation, spending, and even borrowing. He considered the state as a necessary institution, not only for the proper functioning of society’s economic activities but also for the fulfillment of social-welfare objectives. Further, in order to promote economic prosperity, the state must establish justice, peace, security, and stability. He even insisted on a state institution, quite common in the Islamic civilization, called “al-Hasbah,” meaning “accountability.” The official who enforced accountability was called “mohtasib” (the closest English term would be “ombudsman”), whose main function was to check any harmful activities of markets. As for the conduct of the ruler, Al-Ghazali recommended ten “principles of justice and equitable treatment of the subjects” (Counsel, 13–31), and each is discussed not only from the Islamic perspective, but also with illustrations from the Torah, the Bible, and other historical sources (including Chinese). And he relied on the inherited Greek heritage, frequently referencing Plato and Aristotle.

When discussing taxation, Al-Ghazali advocated the well-known ability-to-pay principle of tax justice, although he was aware of the benefits-received concept. He was critical of malpractice

and corruption in tax administration. With regard to public expenditures, he discussed various functional categories (though not in the manner one finds in contemporary texts) not simply for promoting social welfare, but also to promote economic development. He suggested several items of public expenditure, usually labeled as “socio-economic infrastructure” in present-day terms. And, he was aware of the need for efficiency in the use of public funds, for they are a “public trust.” Indeed, given the hierarchy of society’s needs, Al-Ghazali suggested guidelines for “prioritizing” public expenditure (Ghazanfar and Islahi, 1992).

Nasir al-Din Tusi (1201–74)

Nasir al-Din Tusi is credited with a treatise focusing on public finances (*Risala-e-Maliyat*, or *Treatise on Public Treasury*). Tusi argued that the encouragement of economic enterprise requires that the burden of taxation on society should be kept to a minimum. Further, he emphasized that the foundation of economic prosperity was agriculture, trading and other activities being secondary, and argued for moderate expenditure and against conspicuous consumption (B.H. Siddiqi, 571).

Another well-known book by Tusi (originally written in Persian, but also available in Arabic, Urdu and English) is *Akhlaq-e-Nasiri*, or *The Nasirean Ethics*, a book on practical “domestic and political disciplines.” Tusi devotes a special chapter, entitled “Siyasat-e-Mudun,” to discussing economic issues for a “civic society”: the first word (“siyasat”) means “politics” and the second (“mudun”) means “cities and their economic structure.” Thus, Tusi’s focus is the “political economy” of society. It is often argued that the term “political economy” originated with Antoine de Montchretien’s *Traite del’Oeconomie Politique* published in 1615 (Lowry, 65). However, Tusi’s analysis clearly locates the concept in the twelfth century.

This emphasis becomes evident from his discussion, and in order to appreciate Tusi’s economics, a part of his text follows:

If every person had to remain occupied in producing his own food, clothing, shelter and tools respectively. He could not have survived because of becoming foodless during the long period required (for supplying the above things). However, since people cooperate with each other and everyone adopts a particular profession, producing more than what is sufficient for his own consumption, and since the laws of justice take care of the matters pertaining to the exchange of one’s surplus output with the products of other people, economic means and goods become available to all. Thus God diversified people’s activities and tastes so that they might adopt different professions (to help each other). It is this division of work which brings into existence international structure and mankind’s economic system. Since human existence does not acquire a shape without mutual cooperation, and since this cooperation cannot take place without social contact, hence man by nature is dependent upon society. It is this dependence of man on society which we call as “tamaddun” (or “mudun,” i.e., cities or economy). The word “tamaddun” is derived out of “madina” which implies an assemblage of persons who cooperate with one another by adopting various crafts and industries in order to provide comforts of life. This is exactly the meaning of the statement that man by his very nature is social.

However, if we were to leave every person to do whatever he liked, there may be no cooperation and the strong one may subdue the weak one and the greedy person may collect all the things for himself, and so because of the quarrels people may start exterminating each other. Hence it is necessary to take practical steps to ensure that every man gets his due share, is content with what he deserves, does not encroach upon the

rights of others and pursues his own interest in a spirit of cooperation. Taking of such steps is called “siyasat,” or politics.

From all this it is clear that “political economy” is a science which studies uniform laws of public welfare, meant to encourage mutual cooperation for attaining real progress, and that its subject-matter is that structure of society which emerges out of the assembling of human beings and which serves as a source of their activities directed towards the perfection (of their occupations). Thus, every craftsman (or producer) concentrates on his craft, not because it is good or bad, but due to the fact that he belongs to it (i.e., has specialized in it according to social requirement).

(Tusi, 1952, 241–6)

The purpose of reproducing this lengthy quotation is two-fold: to demonstrate that the term “political economy” had been clearly defined by this Arab-Islamic scholar as early as the twelfth century, and to indicate that Tusi took considerable interest in explaining the conception of the discipline that this term represented. His definition lays emphasis on two key themes – the division of labor/specialization, and the promotion of public welfare through the political structure of society.

Dissemination of Arab-Islamic ideas overseas

Apart from these early medieval Arab-Islamic scholars, there are several others who wrote on economic issues, and whose works had wider impact. Some of these, along with some of their major works in which discourses on economic issues are to be found, are noted below:

1. Yahya bin Adam al-Qarshi (d. 818), *Kitab al-Kharaj (Book of Taxation)*;
2. Abu Obaid al-Qasim bin Sallan (d. 839), *Kitab-al-Amwaaal (A Treatise on Wealth)*;
3. Qudamah Bin Jafar (d. 947), *Al-Kharaj-wa-Sana’at-ul-Kitabah (A Treatise on Taxation and Industry)*;
4. Abu Nasir al-Farabi (d. 950), *Siyasat-al-Madaniyah (Politics of Civic Society, or Political Economy)*;
5. Abu Jafar al-Dawudi (d. 1012), *Kitab-al-Amwaaal (A Treatise on Wealth)* (Sharafuddin);
6. Abu Ali al-Husayn Ibn Sina (d. 1036), *Kitab-al-Shifa (Book of Healing)*: this book discusses economics as one of the six practical disciplines;
7. Abul Hasan al-Mawardi (979–1058), *Al-Ahkam al Sultaniyah (Principles of Public Administration)* (Amedroz);
8. Shamsuddin al-Sarakhsi (d. 1090) *Al-Mabsut (The Complete Book)*: discusses various areas of knowledge, including economics;
9. Nizam al-Mulk Tusi (1018–1092), *Siyasat Nameh (Book on State Politics)*;
10. Abul Fadl Jafar bin Ali al-Dimashqi (c. eleventh century), *Kitab al-Isharah ila Mahasin al-Tijarah wa Ma’rifat Jayyid al-A’rad wa Radi’iha wa Ghushush al-Mudallisin fiha (A Guide to the Merits of Commerce and to Recognition of Both Fine and Defective Merchandise and the Swindles of Those Who Deal Dishonestly)*;
11. Taqi al-Din Ahmad ‘Abd al-Halim, known as Ibn Tammiyah (1263–1328), *Al-Hisbah fi’l-Islam (Public Duties in Islam)* and *al-Siyasah al-Shariyah fi Islah al-Rai wa’l-Raiyah (Public and Private Laws in Islam)* (Ghazanfar-Islahi, 1992);
12. Shams al-Din Abu Abdullah Muhammad bin Abi Bakr Al-Zari, known as Ibn Qayyim (1292–1350), *al Turuq al Hukmiyah (Governing Methods and Rules)* (Ghazanfar and Islahi, 1997).

It should be highlighted as well that much of the knowledge on various disciplines, including economics, emanating from the Islamic civilization was transmitted to Latin–Europe during the eleventh and twelfth centuries. Indeed, there is hardly any medieval Latin–European scholar who was not, directly or indirectly, influenced by Arab–Islamic scholarship. Briefly, there were several different mechanisms for such transmission.

First, travels by scholars, many of whom learnt Arabic, who brought back knowledge to Europe. Second, translations *en masse* – “the real contact with the Arabic culture was made by twelfth–century translators in Spain; it was then and there that dykes were opened and stored–up experience of the ages began to pour in upon the medieval West” (Goldstein, 113). Third, oral transmission, which, over “eight or more centuries of such intimate contact (via Islamic Spain particularly) is, in itself, quite persuasive an argument for cultural interaction and continuity” (Chejne, 120). Fourth, the development of trade and commerce, leading to the diffusion of economic institutions and practices: “Italian cities . . . in the wake of the Crusades . . . had established relations with the traders of the Near East and had adopted various institutions and devices which were at variance with the rigid pattern of medieval social and economic organization” (Pribram, 21; see also Heaton). Fifth, the Crusades, whose central importance was that “they helped shape European attitudes, feelings, and values” (Ferruolo, 136), “stimulated intellectual life in Europe” (Izzedin, 42), and represented “the strongest influence on development of medieval trade and industry” (Krueger, 72).

There were also other miscellaneous sources of transmission: students “from Italy, Spain and southern France [who] attended Muslim seminaries” (Sharif, 2, 1367); monasteries, whose libraries housed voluminous translations of Arab–Islamic scholarship; cathedral charter schools: “to them was brought most of the science and philosophy from the Byzantines and the Saracens” (Artz, 229); royal courts, which were “as brilliant and refined a center of Arab learning as any in the Middle East or in Spain” (Menocal, 75); missionaries – “Islamic culture was known in Europe partly through the commercial markets, sometimes through the travels of Christian missionaries in the East” (Sauvaget, 228); and the growth of cities – many cities/towns, especially in southern France and Italy, originated in the “footsteps of trade” with the Mediterranean Arab–Islamic world (Krueger, 69).

Recent Islamic economics

It is appropriate to discuss a subject that has generated considerable literature in recent decades: contemporary Islamic economics. As a distinct discipline, Islamic economics emerged in the 1960s, but the subject has been an intrinsic component of Islam ever since its inception. The fundamental sources of the Islamic order emanate from the Holy Qur’an, but also from *Sunnah* (teachings and traditions) of Prophet Mohammad, comprehensively called the *Shari’a*. Further, while there are substantial similarities between the Islamic paradigm and modern free-market (capitalist) economics, there are also some differences. Indeed, there is considerable literature that persuasively argues that the origins of “rational capitalism” lie in the early Islamic world (see Ghazanfar, 2009; Banaji, Gran, Heck, Robertson, Rodison, and Weaver): “The great cause of the rise of rational capitalism was not Christian at all – it was a secular scientific development taken over by Western Europeans from Muslim Arabs and Syrians” (Robertson, 45). Further, Islamic economic concepts provided the rationale that empowered medieval Europe to escape its centuries–old experiment with “Dark Age economics” (Heck, 9).

Islamic economics may be described as a qualified extension of mainstream economics, but consistent with Islamic principles. While self-interest is a key component of the incentive/motivation structure, it alone must not rule. Economic pursuits must not be the ultimate ends;

the means–ends dichotomy of economics does not go far enough. So, unlike mainstream economics, Islamic economics is not independent of moral–ethical values. It follows that, as a social science, Islamic economics is a composite of positive as well as normative content; both are critical in analyzing economic phenomena and in deriving social goals and policy objectives. Thus, the Islamic scriptures suggest that the “homo–islamicus” is more than mere “homo–economicus.” In addition to guiding utility–maximizing behavior, individual behavior must encompass social utility as well. And in this process, the state must actively promote socio–economic justice, a goal not to be left as a byproduct of the free–market or “invisible hand” – i.e., the “trickle–down” alone approach is not acceptable. Islamic economy is a voluntary–exchange economy, but exchange must be a “humanized” blend of markets and morals. In that sense, Islamic economics is part of the integrative, holistic, interdisciplinary Islamic social order.

Given this broad definition, what are the underlying assumptions and premises of Islamic economics? Viewed as mutually reinforcing, these may be noted as follows:

- (a) Private ownership of property and humans are “free to choose.” However, private ownership is not absolute; a balance between individual freedom and social good is essential, and extreme individualism must be tempered by Islamic ethical principles. Such balance, though less well–known, is what even Adam Smith called for; he visualized the “invisible hand” functioning within a moral–ethical framework, guided by Providence (see Davis).
- (b) Scarcity and needs/wants – as with mainstream economics, the means–ends dilemma is also fundamental to Islamic economics, but conditionally. The argument is that scarcity in relation to human wants and needs must be understood in the light of “holistic” rationality, inclusive of both economic and non–economic motivations.
- (c) Desirability of economic enterprise – unlike early Christianity, working for a living is exalted throughout the Scriptures; it is part of the “calling,” a duty and an obligation. The work ethic is emphasized in the Holy Qur’an.
- (d) Encouragement of material progress – within the prescribed constraints of private gain and social good, no amount of material progress is viewed as detrimental to society. But, material gain is not the ultimate goal. Yet, the pursuit of goodness and a virtuous life does not mean asceticism or denial of material gain.
- (e) Cooperation and competition – the Holy Qur’an says: “Then strive together (as in a race) towards all that is good” (Holy Qur’an, sura 2, verse 148). Pursuit of economic activities in a voluntary, competitive environment is part of one’s “calling,” but it is a means to living, not life itself. The notion of human brotherhood implies that the proper pattern of relationships must be based on cooperation and mutual responsibility.
- (f) Interpretative flexibility of Scriptures – in economic matters, as in others, Islam provides considerable latitude and variety of interpretations. Indeed, the Holy Qur’an, as an evolutionary message, does not lay down an immutable system in economics, or in any other sphere of affairs. Aside from certain broad principles, all details are for society to determine, according to evolving socio–cultural conditions, subject to *Ijtihad* (“dynamic reasoning,” literally means “interpretative struggle,” derived from the verb *jahd*, “to struggle,” and *jahaad*, “the struggle”) and *Ijma’* (social consensus).

Furthermore, in an Islamic social order, humans are judged by their moral and spiritual excellence and not just by material affluence. Thus, there is no scope for a social arrangement based chiefly on economic possessions, and the concept of human brotherhood transcends any socio–economic stratifications. For the purpose of achieving a just social order, Islamic economics

calls for several institutional arrangements, including (a) the institution of *Zakah*, (b) inheritance laws, (c) voluntary charity (*sadaqat*), (d) prohibition of interest (*riba*'), (e) role of the state, and (f) guidelines for appropriate economic activities and conditions governing ownership and use of private property (Ghazanfar, 2009).

How viable is Islamic economics in practice? While there appears to be a broad consensus among proponents as to its theoretical validity, there are divergent opinions as to operational efficacy. Such concerns are evident in a substantial critical literature that emerged in recent years. As early as the 1960s, an eminent Muslim scholar expressed reservations as to the prohibition of *riba*'; he argued, akin to the debates in early Christianity, that *riba*' meant *excessive* interest, or usury, which may lead to exploitation, and thus, is forbidden; it does not refer to interest as practiced in modern financial institutions (Rahman, 1964; Weiss).

Similarly, a Western scholar of Islam has argued that "a modern progressive income and property tax system includes in essence more *Zakah* than the Islamic injunctions intended," and those modern tax systems may achieve the goal of an equitable income-wealth distribution, as part of an Islamic fiscal system (Weiss, 55). Further, some Muslim scholars warn that introducing *Zakah* and abolishing interest cannot be equated with establishing an Islamic economic system. These same scholars point out that policy-makers' concentration "on just the two elements of *Zakah* and interest-free banking to the exclusion of the fundamental structural elements of Islamic reform" amounts to a "mixed-economy with some Islamic whitewash" (Weiss, 56, quoting from Naqvi, et al., 1984). Another scholar argues that we must "abandon" the "obsession" with the "mythical" elements of Islamic economics, and "pay greater attention to issues of poverty alleviation, redistribution of wealth and resources, and Islamic forms of government" (Muqtedar, xvii).

Among the strongest critics of Islamic economics, however, is Timur Kuran, a recent "modernist," trained in the West but with roots in Turkey. He argues that "mainstream Islam has been, and remains, supportive of markets, technological creativity, and material prosperity." Yet, he suggests "economic globalization has benefited the West and harmed vast segments of the Islamic world," thus the arguments for "economic separatism" and "mistrust of Westernization, even into antagonism to modernity" (Kuran, 2002). Among Kuran's works is a recent book, entitled *Islam and Mammon: The Economic Predicaments of Islamism* (2004). Essentially, he argues "that the doctrine of Islamic economics is simplistic, incoherent, and largely irrelevant to present economic challenges" (Kuran, xi). Further, he asserts, "the real purpose of Islamic economics has not been economic improvement but cultivation of a distinct Islamic identity to resist cultural globalization" (Kuran, v).

Conclusion

This chapter has presented a survey of the economic thought of four Arab-Islamic scholastics, who provided rather sophisticated discourses during the early medieval period, descriptive as well as analytical, on numerous economic issues, during the Schumpeterian "blank centuries." The content of their discussions, positive as well as normative, is quite similar to that found in the writings of subsequent European-Latin scholastics of the late medieval period, especially so with respect to Al-Ghazali.

Much of the literature of these Arab scholastics was available to the European scholastics (e.g. Albertus Magnus, 1193–1280; St. Thomas Aquinas, 1225–74; Raymund Lull, 1232–1315; Duns Scotus, 1265–1308), directly or through translations and other avenues during the tenth to thirteenth centuries, from Arabic to Latin, just as there were extensive translations earlier into Arabic once the Greek heritage was re-discovered in the eighth century. Our modest effort

provides evidence to support what Spengler suggested, in that, unlike the claim of “blank centuries,” economics occupied a distinct place in the writings of earlier Arab–Islamic scholars. The status of contemporary Islamic economics, with its blend of the sacred and the material, is more problematic when viewed from a Western modernist perspective, but has important influence across some regions of the world.

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