

# International Journal of Economics, Management & Accounting 19, no. 1 (2011)

## Articles

- Methodology of Islamic Economics: Overview of Present State and Future  
Direction 1 - 26  
*Mohamed Aslam Haneef and Hafas Furqani*
- Prioritizing Issues of Malaysian Vision 2020: An Application of the  
Analytic Hierarchy Process and Quality Function Deployment 27 - 62  
*Rafikul Islam and Yusof Ismail*
- Positive Deviance and Islamic Leadership 63 - 76  
*Rodrigue Fontaine*
- Islamic Economics and Finance, Then and Now: A *Fiqhī*-economic  
Perspective on Its Doctrines and Debates 77 - 120  
*Salah El-Sheikh*





## **METHODOLOGY OF ISLAMIC ECONOMICS: OVERVIEW OF PRESENT STATE AND FUTURE DIRECTION\***

Mohamed Aslam Haneef<sup>a</sup> and Hafas Furqani<sup>b</sup>

*<sup>a</sup>Department of Economics, International Islamic University Malaysia, Jalan Gombak, 53100 Kuala Lumpur, Malaysia. (Email: mdaslam@iiu.edu.my)*

*<sup>b</sup>Department of Economics, International Islamic University Malaysia, Jalan Gombak, 53100 Kuala Lumpur, Malaysia. (Email: hafasf@gmail.com)*

---

### **ABSTRACT**

This paper argues that research and publications in the area of methodology of Islamic economics is very significant for a meaningful development of the discipline. Although the discussion on methodology of Islamic economics in contemporary Islamic economics literature is rather limited, this paper reviews the works of selected scholars who have attempted to present works on ‘methodology’ and their approach to the process of theory building in Islamic economics. The paper then presents some implications of these views based on the position that methodology investigates the criteria, rationalizations, arguments and justifications used in theory appraisal as well as evaluating the reliability of theories, this paper concludes that greater resources, both human and financial, need to be channeled to developing *uṣūl al-iqtiṣād*, a fundamental, but vastly, neglected area of research in contemporary Islamic economics.

JEL Classification: B41, B49, B59, Z12

Key words: Methodology, Islamic economics, *uṣūl al-iqtiṣād*.

---

\*An earlier version of this paper was presented at the International Conference on Islamic Economics and Economies of OIC Countries, 28-29 April 2009, Kuala Lumpur. The authors thank Dr. Habib Ahmed for his comments during the conference as well as to the journal referees for their important observations and comments on the paper.

## 1. INTRODUCTION

Compared to other areas in Islamic economics, methodological works are relatively scarce. It has also not been given sufficient emphasis in conferences or in research funding for at least two decades. Scholars, such as Nasr (1987), Sardar (1988), Haneef (1997) and Choudhury (1999) see the lack of methodological studies in Islamic economics as one reason for the dependence, consciously or unconsciously, on the methodology of conventional economics. They view this as a serious deficiency that needs remedy. For example Choudhury (1999) claims that Islamic economics has missed its core orientations of methodology and analysis because Islamic economists have borrowed ensemble from mainstream economics. Therefore, Islamic economics has currently become a study in piecemeal application of mainstream neoclassical methods to Muslim thought and societies. Haneef (1997) on the other hand connects the failure to develop a stable body of knowledge and a methodology or methodologies that can be used in developing the discipline to the 'lack of philosophical studies' by Islamic economists. Furthermore, the neglect of philosophical studies of Islamic economics will further impede the ability to promote a coherent school or schools of economic thought in Islamic economics and retard the development of Islamic economics as a scientific discipline (Nasr, 1987; Sardar, 1988, 198-217).<sup>1</sup>

What this paper tries to do is to present what Islamic economists have been writing on the topic of methodology (or to be more correct, their views on the steps involved in developing models/theory), attempting a preliminary evaluation of their views and then trying to present an outline of what methodology in Islamic economics should be addressing.

Section 2 discusses what methodology is and why it is necessary in Islamic economics. Section 3 reviews the process of theory building, i.e. of the stages involved in model building in Islamic economics as proposed by selected scholars of Islamic economics namely Naqvi (1981), Mannan (1983), Baqir al-Sadr (1983), Anwar (1990), Chapra (1996), Haneef (1997), Hasan (1998), Zarqa (2003), Kahf (2003) and Choudhury (various publications). Section 4 analyses these views on Islamic economic methodology by revisiting the meaning of methodology found in modern scholarship, highlights some areas of confusion in the writings of Islamic economists, and proposes some future research areas. Section 5 concludes.

## 2. METHODOLOGY OF ISLAMIC ECONOMICS: WHAT AND WHY?

Methodology can be seen as a specific part of that branch of philosophy called epistemology. In epistemology, we study the theory of knowledge, the sources of knowledge, the application of knowledge and the limitations of knowledge; whilst in methodology, the study is narrower and more specific on how to develop knowledge (theories) and how to evaluate the knowledge (theories) produced.

Blaug (1993) defines the methodology of economics as the branch of economics where we study how economists justify their theories, and the reasons they offer for preferring one theory over another. Methodology as defined by Safi (1996) is the field of scientific inquiry into the justification, description, and explanation of the rules and procedures which constitutes scientific methods. Fox (1997) sees methodology as dealing with theory appraisal while Haneef (2005) views methodology of economics as including discussions and analyses of the process of building models, developing theories, testing hypotheses (where necessary), as well as establishing and using criteria to evaluate the process. Methodology deals with standards and benchmarks that determine the authority of scientific statements. While many writers in Islamic economics do discuss the process in rather general terms, not much is discussed regarding the criteria and principles on which evaluation of theory, or claim of knowledge, is made.

Since its main interest is theory development and appraisal, the methodological study of Islamic economics is indeed a very significant subject and should be seen as a foundational pre-requisite for developing sound Islamic economics. Although Islamic economics is a religious based economics, which considers normative guidance in the *Qur'ān* and *Sunnah* as its primary source of knowledge, it should also be seen as a scientific discipline which requires proper 'scientific' methodology from which we can develop theories as part of developing the body of knowledge called 'Islamic economics'.

In addition, the following are further reasons why methodological knowledge of Islamic economics is important:

- The successful development of Islamic economics as a discipline very much depends on methodological development that would give a clear direction on *how to develop economic theories* that conform to Islamic economics doctrines (Anwar 1990). If we say that conventional economic theories are infused with vision or values that are not in-line with Islamic vision and values, then, one main task is how to develop economic theory that can be, and is, infused by Islamic vision and values (Kahf, 2003).

Without a proper methodology of Islamic economics this task could not be done properly.

- The interest of methodological discussion is to elaborate and specify the rules, procedures, standards, and most importantly ‘scientific criteria’ by which we can distinguish between what is false and true in appraising and evaluating Islamic economic theories. The product of methodological inquiry is a set of criteria for theory appraisal. These criteria will help us distinguish between valid theories and invalid ones (Fox, 1997, 34; Khan, 1987; Anwar, 1990). Islamic economics will have its own criteria for theory appraisal since its sources of knowledge are not limited to human reasoning and fact observation. Islamic economic methodology will also have to be concerned with divine revelation (*wahy*). Dealing with revelation provides an added challenge to Islamic economists.
- Methodology is not only concerned with how to create a theory, but it is also concerned with how to prove theory reliability and applicability in real life. Islamic economic methodology, although grounded in the normative framework of revelation, will also be concerned about formulation of theories that are workable and can be applied in real life. In this regard, Choudhury (1999) firmly asserts the need for methodological formulation in Islamic economics in order to create a well-defined Islamic economics based on a new worldview and to release Islamic economics studies from an overwhelmingly socio-religious nature that is without a workable content. Likewise, Naqvi (1994) opines that Islamic economic methodology is directed to raise a “unified” economic discipline, on testable foundations, in a typical Muslim society or society that follows *Qur’ānic* injunctions and not in some Islamic utopia.
- In addition, Islamic economic methodology is important to link the *ontological* aspects of Islamic economics, which constitute the ideals and principles of Islamic economics, to the axiological aspect (ethics) that is a practical application of Islamic economics. Its role is to unify both elements (ontology and axiology) at the level of conceptualization and its application through systematic and consistent methodologies (Furqani, 2006).
- Finally, Islamic economic methodology aims to lay down the scientific operational process of Islamic economics as a discipline so that the ‘gaps’ in Islamic economic studies — as termed by Siddiqi (1982), Khan (1989) and Zarqa (2003) — between those who are well-versed in Islamic

legacy but lack modern economics on the one hand, and those who have understanding of modern economics but are lacking in Islamic legacy, could be eliminated. The methodology can be used by both types of scholars in order to reach a consensus (convergence of thought), and to create a well structured Islamic economics.

If it is accepted that methodology helps to achieve all the above, then it must also be true that no discipline can be sustained as a scientific discipline without a coherent and sound methodology.

### 3. ISLAMIC ECONOMIC METHODOLOGY: SCHOLARS' VIEW OF THEORY BUILDING

It can be noted from previous discussion that methodology of Islamic economics essentially discusses two aspects; how to appraise theory in Islamic economics and/or how to evaluate the reliability of that theory. To achieve these goals, methodology also discusses the criteria and principles that make up the subject matter. However, Islamic economists' writings on methodology have generally not discussed these aspects in detail.

Instead, they have attempted some discussion of theory building, i.e. steps involved in model or theory development. As a whole, the state of discourse on Islamic economic methodology is still very elementary and far from reaching levels that can be considered academically sufficient to sustain the discipline. For example specific discussion on the principles to be used in dealing with sources of knowledge and criteria for theory appraisal are still not well elaborated, if attempted at all. In the following pages we attempt to briefly survey the writings on methodology of Islamic economics that have been proposed by selected Islamic economists. We have in general taken a chronological order in presenting these views. One major shortcoming of this list is that it has left out some scholars who may have discussed aspects of methodology but may not have written exclusively on the methodology of Islamic economics.

*S.H. Naqvi (1981)*

Naqvi (1981) in his *Ethics and Economics – An Islamic Synthesis* argues for a science of economics on the basis of four axioms grounded in the ethical teachings of Islam namely unity, equilibrium, free will and responsibility. Those ethical axioms derived from the main sources, *Qur'ān* and *Ḥadīth*, could be a reference to enable us to make valid statements about the basic

economic motivation and Islamic economic theories. From these axioms we can deduced/derived various economic theories to be applied in the real life. In the Islamization of economics program, those axioms could be the reference points that guide the development of theories of economics. This approach to derive basic economic propositions (statements) from the first principles of religious ethics is called as the axiomatic approach. Such an approach is argued will give 'fuller perspective' in economic studies as it attempts to combine the four described axioms, which are considered as the vertical level of Islamic ethical philosophy with the scientific method of deduction through which an economic system can be developed at the horizontal level of Islamic society.

While generally a valid and acceptable approach, some like Sardar (1988) question why the axioms are limited to just four, arguing that to produce a genuine Islamic approach to developing an Islamic economic conceptual framework, more axioms and concepts from the *Qur'ān* (and would argue *Sunnah* as well) should be utilized. Naqvi on the other hand argues that for the axiomatic approach to be 'valid' one needs to limit the number of axioms.

*M. A. Mannan (1983)*

Mannan (1983) starts by arguing that the analysis in Islamic economics should be based on the distinct Islamic responses to diverse economic problems. The underlying assumptions on which neo-classical paradigms are based are considered to be inappropriate, inadequate or incapable of explaining the Muslim worldview in economic matters. However, this does not to suggest that every institution and practice operating in the system is un-Islamic in character as there will be some assumptions and ideas in common with other system of thoughts. The Islamization of economics will be done to emphasis or de-emphasis, modify or reject those assumptions in Islamic framework.<sup>2</sup> To formulate Islamic economic theories, Mannan (1983) proposed seven integrated steps started with identification of problems, formulation of theory, policy implementation and empirical evaluation.

The process of creating Islamic economic theories begins with (1) the identification of issues (economic problems); (2) search for the explicit and implicit guiding principles of the *Sharī'ah*; (3) the conceptualization and theoretical formulation of the economic problems based on those principles found in the *Qur'ān* and *Sunnah*; (4) prescriptions of appropriate economic policy and (5) implementation of policy created from the theoretical formulation; (6) as an *ought* statement is to be linked not only at the level of theoretical formulation but also at the level of prescription of policy hence the theory and policy should be reviewed and evaluated to identify any gap



between the actual achievement and perceived goal; and finally (7) exposing the results of evaluation. If the gap is found between the achievement and actual or perceived goal or target, Mannan considers it as the inadequacy of the theoretical formulation and consequent policy prescription and hence needs for a review of principles as in step 2 and to reconstruct Islamic economic theory and policy as in step 3,4 and 5.

*Bāqir al-Ṣadr (1983)*

Al-Ṣadr (1983: vol. II, pt.1, 6) considers Islamic economics as “the way Islam prefers to follow in the pursuit of its economic life and in the solution of its practical economic problems in line with its concept of justice”. Hence, al-Ṣadr’s approach in his seminal work, *Iqtisādunā* is to discover the doctrinal basis of Islamic teaching concerning economics areas/issues, such as ownership, consumption, distribution and production. The discovery process attempts to build an ideological doctrine of various economic problems. In this process, all economic laws and injunctions, together with numerous concepts related to economics and society (such as *khilāfah*, *‘adālah*, *ibādah*, etc.) are studied together and then used to ‘discover’ the economic doctrine. He termed the doctrine as the ‘upper structure’ of Islamic economics which is going to be the base and foundation where numerous particular theories can be derived (1983, vol. II, pt. 1, 22). According to him, Islamic economics is not a science as it is understood today in modern economics; Islamic economics instead, is a doctrine. The empirical study of economics comes much later to evaluate whether the application of the ideological theory in the realm of life has an adequate basis in reality. The science of Islamic economics can only be discussed once there is a doctrine that is understood and practiced by agents in the system, having the legal and social/etical institutions in place.

*Muhammad Arif (1987)*

Arif (1987) attempts to provide scientific justification of the Islamization of knowledge workplan. He sees the IOK agenda and vision as an acceptable scientific research programme (SRP) with legitimate scientific criteria. Following Einstein’s stratification process and Kuhn’s paradigm building/scientific revolution views, he argues methodology of Islamic economics in the Islamization of economics project aims to develop stratification of primary concepts and building paradigm of Islamic economics. This is done by *idealization* of a broad picture of the perfect functioning of the system to project the worldview resulting from the ‘philosophical foundations’ and a generalized view of the ultimate natural outcome of the perfect

functioning of the system (without getting into specifics and details). This is followed by *stratification* (abstraction) of the primary concepts generated from the philosophical foundations of *Sharī'ah*. The stratification is done continuously in such a way that each new and higher level of stratification produces a higher conceivable unity. And the last stage is paradigm building that is to develop relevant models and theories, identify the variables needed, and determine their inter-relationships, and conduct experiments to interpret the data appropriately in accordance with the idealization.

*Muhammad Anwar (1990)*

Methodology of Islamic economics, according to Anwar (1990) aims at promoting the growth of knowledge of economics within an Islamic framework. Therefore, he suggests this process can be done in two ways; either to Islamize modern economic theories and models or to develop economic theories independent of Western thought based on Islamic values. He focuses on the former and sees the process beginning with contrasting the components of conventional economic theories with components that make-up an Islamic corpus and nucleus. The process requires *ijtihād* from the scholars to classify the components of conventional economic theories and models into Islamic, un-Islamic, or neutral elements. The Islamized economic theories and models produced will represent a combination of (1) a nucleus including an appropriate corpus from the *Qur'ān* and *Hadīth*; (2) the accommodation of functionally Islamic as well as neutral assumptions, postulates and principles from the existing non Islamic literature; and (3) the addition of new thoughts consistent with the corpus developed on the basis of *ijtihād*.<sup>3</sup> The product of this *ijtihād* could enable us to identify the Islamic and neutral elements in a theory and therefore, be applied in the case of Islamic economics. The 'contrasting' stage in Anwar's process implicitly requires a benchmark of sorts that will act as the reference point to decide the Islamicity of the different components in conventional economics.

*M.A. Choudhury (1992)*

Choudhury has been one of the most prolific writers on Islamic economics over the years, with many of his publications focusing on the importance of developing a philosophy of Islamic economics, including his *Principles of Islamic Political Economy: A Methodological Inquiry* (1992). In building an Islamic economics, Choudhury has two main differences in his approach. Firstly, is his strong views on the need to disassociate from modern mainstream economics, whose basic assumptions of (markets and competition, rationality based on the axiom of

transitivity (including bounded rationality), full-information and methodological individualism) are, to him, unacceptable in an Islamic world-system approach. In turn he calls the need for ethical endogeneity, i.e., ‘endogenizing morality’ by referring to the *tawhīdī* episteme or a methodology based on the principle of *tawhīd*.<sup>4</sup> Secondly, in trying developing this Islamic framework and in trying to move away from discussions of philosophy that mainly remains in the metaphysical realm to one that informs the ‘sub-system of economics’, he puts forward his phenomenological model (represented by a completely modified Debreau model) that builds on the principle of conscious oneness along with its logical formalism and applies it to the social-political economy setting. His writings extensively refer to the *Qur’ān* and the *Sunnah* (as the primary sources of knowledge) and the views of the ‘*ulamā*’ (scholars) who interpret these sources and extensively use simulation, mathematical symbolism and set theory in what he claims is the embodiment of the complex Interactive, Intergrative and Evolutionary (IIE) framework (reflecting a circular causation) of the learning process. He is certainly among a few writers who have attempted a sort of ‘systems’ approach to developing Islamic social political economy.

#### *M. Umer Chapra (1996)*

Methodology of Islamic economics, according to Chapra (1996) in his IDB prize winner’s lecture series entitled “*What is Islamic Economics*”, aims at developing an economic theory that fits the logical structures of the Islamic paradigm, has strength in logical reasoning, and reliable in real life. To achieve that goal, Chapra proposes a methodology that first examines whether the economic hypotheses developed fits within the *logical structure of the Islamic paradigm* that is defined by the *Qur’ān* and the *Sunnah*. If found to be so, the next step would be to evaluate the hypotheses through *logical reasoning vis-a-vis* the rationale behind the teachings of the *Sharḫah*. If this step is satisfactory, then possible empirical testing of hypotheses may proceed to a feasible extent, against historical records and statistical data available for Muslim and non-Muslim societies in the past and present to see its reliability in practical life. In his works, Chapra (1996, 38) also proposes ‘methodological pluralism’ (i.e., the possibility of using different methodologies) in developing Islamic economics. In this regard, Islamic economics might use the techniques of testing and the tools of analysis developed by conventional economics and other social sciences. Islamic economics may also adopt the theories of conventional economics that have become a part of conventional wisdom, if these theories are not in conflict with the logical structure of the Islamic worldview.

*Mohamed Aslam Haneef (1997)*

Haneef (1997) in his article “Islam, the Islamic Worldview, and Islamic Economics” explains the role of Islamic worldview in the process of developing Islamic economics. Worldview, according to him, does not only latently specify the philosophical foundation of an economic system but also stipulates the methodological rules of economic discipline in producing theories. He then delineates four stages in developing Islamic economic theories/models. The first stage is to identify all the verses of the *Qur’ān* and *Sunnah* which relate to economics. The Islamic economists in this regard needs to identify the central terms and concepts in economics that are found in these two sources. Based on those central terms and concepts, Islamic economists try to systemize them into economic principles, postulates, hypothesis, and precepts. At this stage, the scholars apply their *ijtihad* to interpret derived principles. The next stage, involves the study and filtering of contemporary western economic thought. Islamic economics can utilize the theories and methodologies in contemporary economic thought only after this filtering and evaluations. The process of Islamization of economics by integrating conventional economics and Islamic heritage is also represented at this stage. The last stage will be to evaluate the strength and reliability of the theories. For this stage, he insists that while internal logic, coherence and consistency are necessary conditions for scientific exposition, Islamic economics should be evaluated within its own framework and using its own criteria. Therefore, this stage may involve empirical testing but the whole relationship between the ‘what ought to’ and ‘what is’, must reflect an Islamic view that does not necessarily see empirical facts ‘determining’ theories.

*Zubair Hasan (1998)*

Islamic economic methodology, according to Hasan (1998), is actually a reversal of conventional economic methodology. In conventional economics, the glide is from economics to methodology, where as in Islamic economics, the movement is from methodology to economics. This is because methodology of Islamic economics does not seek to formalize ‘what economists actually do’ like in conventional economic methodology. Instead, it sets the goals for Islamic economists, prescribes behavioral norms for their achievement, and formulates rules for evaluating the results. According to Hasan, in Islamic economics, one is confronted with an economic doctrine already in existence. For that reason, the methodological task is to bring out the reality underlying it, to make firmer the contours of its framework, to lay bare the basic rules of thought, and to get rid of the impurities that

invaded it over time. Thus Islamic economic methodology is more interested in *rediscovering* rather than *creating* or *modifying* doctrines and systems on the basis of pure reason as in the case of capitalism or socialism. According to him in order to discover the doctrine and to illuminate its shady spots, the Islamic economists can adopt a judicial approach. When the text is unclear on a point, the law relies on some textual conception explained by tradition (*ḥadīth*), analogy (*qiyās*), consensus (*ijmāʿ*) or relevant historical evidence. However, he notes that in the present day of complex and dynamic situation, Islamic economics has to be forward looking, expedient, and pragmatic. The door of *ijtihād* must remain open. The principle of *facility* assumes special importance. But it does not mean freedom to bend religion for justifying the existing realities, or for isolating a *Sharīʿah* provision from its context to support or reject viewpoint.

*M.N. Siddiqi (2001)*<sup>5</sup>

As with many scholars writing in the 1970s and 1980s, Siddiqi was aware that there was a plurality of methodologies. To him ‘Islamic tradition in economics has always been free of formalism, focusing on meaning and purpose with a flexible methodology’. He was a keen contributor to the Islamization of Knowledge agenda that saw the need to integrate knowledge from Islamic heritage and modern economics, but with the aim to realizing the ‘Islamic vision of good life’. While not writing exclusively on methodology *per se*, Siddiqi was acutely aware that in order to build a viable Islamic economics, there was a need to critically evaluate the foundations of modern economics, but with the Islamic worldview clearly in sight. Together with Chapra, he was very keen to utilize the higher objectives of the *Sharīʿah* or *Maqāṣid al-Sharīʿah* as a major guideline to developing an Islamic economic vision and the corresponding Islamic economic methodology. Hence, the need to move away from limiting Islamic economic methodology to merely fiqh/legal issues and approach. Being a social science within an Islamic framework, Islamic economics had to utilize both revelation (to be understood within the *maqāṣid* approach) and nature/universe (using empirical tools). However, Siddiqi saw Islamic economics as a means to Islamize individuals/society through policies that would change the ‘what is’ in the direction of the ‘what should be’. In order for this to be done effectively, there was a need to give attention to the quality and qualifications of the ‘Islamizers’.

*M. Anas Zarqa (2003)*

Zarqa (2003)<sup>6</sup> in his “Islamization of Economics: The Concept and Methodology” the value-fact demarcation is highlighted. The *Qurʾān* according

to him contains both positive and normative statements about economic life. The same can be said about modern economics literature. Some of these positive and normative statements are in congruence, while some are not. By looking at the interface between Islamic economics and modern economics (especially in their common assumptions), Zarqa tries to delineate an intellectual 'space' for Islamic economics that is made up of Islamic normative and descriptive assumptions (category 1 and 2), the conventional normative and descriptive assumptions (category 5 and 6), and normative and descriptive assumptions that are shared between Islamic and conventional economics (category 3 and 4). For Islamic economics, we shall exclude category 5 and attempt to correct, modify and replaced by category 3. This replacement will result in changes in category 6 as those descriptive statements now are molded by Islamic values in the Islamization process. Systematically the Islamization of economics could take place in three simultaneous directions: (1) discover general normative economic rules from the *Sharāh* sources and deduce the economic rationale from them, (2) explore postulates and descriptive statements related to economics from the *Qur'ān* and *Sunnah*, and (3) discover economic descriptive assumptions developed by Muslim scholars over the ages.

*Monzer Kahf (2003)*

Kahf (2003) in his "*Islamic Economics: Notes on Definition and Methodology*" observes two tasks of Islamic economists in order to formulate and build the Islamic economic system and theories: (1) the elaboration of the Islamic economic system; and (2) the revision of conventional economic theory. Elaborating the Islamic economic system is similar to discovering theories and general rules of *fiqh*. Some of the principles and theories may be taken directly from the foundational text of *Qur'ān* and *Sunnah*, such as the prohibition of *ribā* and the prescription of *zakāh*. In other cases, principles or theories can be derived by surveying several texts to reveal a tendency or make one general rule, such as the preference of equitable income distribution. The theory can also be based on common sense and rationality, such as considering the improvement of *ummah* as a general objective of the Islamic economic system, and planning government policies and decisions accordingly. Those principles, assumptions, axioms and theories that have been discovered are followed by the second step which is the investigation of their economic validity and applicability in the real life. This empirical evidence represents a valid testing ground for the Islamic economic system to provide feed-back process in the working out of the operational rules of the system. Islamic economists need to also do a second task; revision of conventional economic theory. It will include two steps. The first is *takhliyah*; identifying and isolating

the biased postulates, i.e., those loaded with the dogmatic, doctrinal and/or moral view points of the conventional economics. The second is *tahliyah*; the incorporation in economics of positive postulates derived from *Sharī'ah*. Kahf however distinguishes between premises and tools where he sees Islamic economics having little dispute with tools of analysis seen to be necessary for Islamic economics.

#### 4. ANALYSIS OF SCHOLARS' APPROACH TO MODEL/THEORY BUILDING AND ITS IMPLICATIONS FOR METHODOLOGY OF ISLAMIC ECONOMICS

##### 4.1 METHODOLOGY AND DEVELOPING ISLAMIC ECONOMICS

A majority of scholars reviewed in this article tend to prefer an integrative approach for theory building in Islamic economics, i.e., a process involving Islamization of economics. The basic argument is that the positive side of the advanced development of modern economics could be worthwhile and can be utilized for the purpose of developing Islamic economics. The body of Islamic economics that is intended to be created, and later on developed into a new discipline with a distinct body of knowledge, methodology/ies as well as theories, should not necessarily start from zero by ignoring all the wisdom of modern economics which have been generated through the long process of intellectual interaction and debate/discussion. There might be some common ground where (some) conventional theories might be accepted as long as they are not in conflict with the logical structure of the Islamic worldview (Chapra, 1996), they are not against the explicit or implicit injunctions of Islam (Mannan, 1984), or they do not contradict with the principles of Islamic teachings and should be evaluated within an Islamic framework and using Islamic criteria (Haneef, 1997).

The scholars reviewed in this study express this integrative approach of Islamization of economics in various ways. Anwar (1990) proposes to contrast the components of conventional economic theories with components of an Islamic corpus and nucleus in order to "classify" the components of conventional economic theories into Islamic and neutral elements and to then "accept" the Islamic economic theories while 'rejecting' the un-Islamic theories. Kahf (2003) proposes *takhliyah*, (identification and isolation of the biased postulates of conventional economics) and *tahliyah* (incorporation in economics of positive postulates derived from *Sharī'ah*) in order to revise the conventional economic theories.



Zarqa (2003) on the other hand argues that if we replace those values on which the science of economics should be based by Islamic values, and if we 'add' to the secular statements, then Islamic economic theories can be produced. Hasan (1998) accepts the positives ideas of conventional economics so long as "the process of Islamization may take conventional economics in manageable segments in the same vein: it can be sifted, pruned, and modified, where possible, to conform to the *Sharī'ah* tenets". Likewise, Naqvi (1981) also opines that Islamic economics should integrate what relevant knowledge is already available and then transmute it into a 'new frame of thought' where Islamic economics can selectively assimilate elements in modern economics that are not contradictory to Islamic economic axioms.

The one exception in this trend may be Choudhury, whose meaning of 'integrative' may be quite different. Judging from his writings, it would seem that he does not support the use of existing concepts as well as the possibility that their meanings could be merely modified. Integrative to him would mean starting with developing original concepts, with unique meanings that represent a 'reality' that encompasses both the physical and spiritual realms. A new math, a new symbolic logic and formalism is needed.

The implication that we could see for the development of Islamic economics is that the integration of Islamic economics and conventional economics will be in two areas of the discipline; (1) the *substantive dimension of the discipline*, which includes economic concepts, principles and theories in modern economics and economic teachings or views on economic matters in the Islamic heritage, and (2) the *technical dimension of the discipline*, which includes methodology of modern economics and '*uṣūl*' studies in the Islamic heritage (Haneef and Furqani, 2007).

The current state of art of Islamic economic methodology discussions over the last 30 years clearly indicates that Islamic economists have not discussed this area sufficiently and much more research needs to be undertaken especially to set the 'criteria' for theory appraisal in Islamic economics and how to evaluate the reliability of theories in an Islamic framework so that a clear methodology of Islamic economics and a strong foundation of Islamic economics can be established.

#### 4.2 METHODOLOGY VERSUS METHOD

The works on methodology of Islamic economics reviewed in this study have not really discussed 'methodology' in term of producing principles, criteria, justification for theory appraisal and evaluation in Islamic economics. The works mostly discussed how to "interact" between conventional economics and Islamic sources leading to works that have presented steps or stages in model building; or process of how to integrate and assimilate, the conventional economics into Islamic economics, which is not really methodology but more to do with 'methods'.



If we could recall Fox's (1997, 33) distinction between method and methodology, he states that the term methodology is essentially the study of the process of appraisal of theories that are purported to be scientific and it is not meant to mean procedure, technique, or an approach to modeling. The latter is more appropriately called 'method'. Machlup (1978, 55) also clarified that,

“... although methodology is *about* methods, it is not *a* method, nor a set of methods, nor a description of methods. Instead it provides arguments and rationalizations which support various preferences entertained by the scientific community for certain rules of intellectual procedure, including those for forming concepts, building models, formulating hypotheses, and testing theories.”

Methodology implies not merely the technical procedures (modeling techniques) used, the choice of categories and preferred integration procedures, but the underlying conceptualization of reality (the worldview) in relation to the preferred mode of reasoning as well as the standards used to appraise theories (Dow, 1996; Machlup, 1978).

Again Machlup (1978, 55) states that,

“Methodology is neither a study of good methods nor a study of methods used *per se* (emphasis added) but rather a study of the reasons behind the principles on the basis of which various types of propositions are accepted or rejected as part of the body of ordered knowledge in general or of any special discipline.”<sup>7</sup>

Methodology analyses the process through which knowledge about economic phenomena is authenticated. Methodology does not simply mean methods, techniques or several procedural steps needed for appraising theories. Methodology is beyond that. Its interest is to investigate the criteria, rationalization, arguments and justifications for theory appraisal as well as testing and proving the reliability of that theory. The techniques, methods and steps of interaction come much later after the criteria and arguments are clearly established. This meaning and understanding of methodology is not fully reflected in the works of the Islamic economics scholars reviewed.

Methodology of economics, and we would argue the same is the case for methodology of Islamic economics, would then be an 'infrequently traveled middle ground' between economics and philosophy. Delving into this area would be an interdisciplinary inquiry. While being interdisciplinary

may not be a new suggestion to Islamic economists, it is the combination of disciplines/knowledge involved that would be ‘new territory’ to the economist. While Islamic economists always talk about *fiqh* and its methodology, i.e., *uṣūl al-fiqh*, this overly ‘legal’ emphasis may not be sufficient to address economics and its related areas such as banking and finance. Hence our proposal to develop a new area called *uṣūl al-iqtisād*.<sup>8</sup>

#### 4.3 OVERVIEW OF UṢŪL AL-IQTISĀD

*Uṣūl al-iqtisād* would involve a much wider scope of subjects than *uṣūl al-fiqh* as understood in today’s narrowly legalistic perspective. On the contrary, *uṣūl al-iqtisād* would include knowledge of areas such as the Islamic worldview, its Islamic economic vision, philosophy, including its ontology, axiology, and especially epistemology (including methodology) relevant for Islamic economics and other social/human sciences (Hannef and Furqani, 2007).

*Uṣūl* literally means “origin”, “roots”, “principles”, “fundamentals”, “rudiments” or “elements” of a particular thing. *Iqtisād* literally means “moderation”, “in the middle” and also means economics. Nowadays, economic science is translated into Arabic as *‘ilm al-iqtisād*. Putting both these meanings together would therefore mean the principles, fundamentals or even foundations of economics, including its methodological dimension.

For the purpose of this paper, we can focus more on methodological aspects and define *uṣūl al-iqtisād* as the methods of how to derive and appraise the organizing principles, concepts and theories of Islamic economics from the primary sources of Islam (*naqliyyah*), i.e., the *Qur’ān* and *Sunnah*, as well as the secondary sources (*‘aqliyyah*) — through *ijtihād* — that would include reasoning, experimentation, and observation. Whereas the former provides the basic evidence and indications from which detailed rules may be derived, the latter is needed for the elaboration and detail of the former, including procedural guidelines to ensure correct utilisation of the primary evidence.

In brief, several characteristics and purposes of *uṣūl al-iqtisād* as the methodology of Islamic economics can be delineated as follows:

1. *Uṣūl al-iqtisād* is an integration of methodology developed in our Islamic heritage (including *uṣūl al-fiqh* and other *uṣūl* of sciences developed in our heritage) and contemporary economics (which may involve the whole spectrum of conventional economics and not just the neoclassical school). *Uṣūl al-iqtisād* would have to deal with the primary sources of Islam (*naqliyyah/revealed*); *Qur’ān* and *Sunnah* as well secondary

sources (*‘aqliyyah/reason*); reasoning, experimentation and observation of both our legacy and of modern economics.

2. As a methodology of Islamic economics, *uṣūl al-iqtisād* aims at delineating the principles that could be used to appraise Islamic economic theories. It would have to develop principles that would have to deal simultaneously with both types of knowledge, *naqliyyah* and *‘aqliyyah*. Rather than treating the heritage and modern economics separately, these principles must be integrated through a methodological dialectic and creative synthesis.
3. One thing should also be noted is that Islam has revealed sources (*Qur’ān* and *Sunnah*) and non revealed sources, such as analogical reasoning (*qiyās*), consideration of public interest (*istiṣlāḥ*), juristic preference (*istiḥsān*), presumption of continuity (*istiṣḥāb*), and so forth. Whereas the revealed sources may have clear injunctions and command permanent validity, their interpretation via *uṣūl al-iqtisād* and its non-revealed sources are not permanent, for they are mainly the product of an *ijtihād*.

#### 4.4 THE ABSENCE OF AN ISLAMIC CRITERIA

Keeping the previous paragraphs in mind, it is relevant to mention that Fox (1997, 16) suggests that discussions on methodology have to keep four questions in mind: what is the purpose of economic inquiry, what are the legitimate sources of economic inquiry, what is the scope of application of economic knowledge and what is the appropriate structure of an economic theory? Of the four, Islamic scholarship seems to have focused only on the second question. Consequently, real ‘methodological’ discussions of Islamic economics do not really exist in the works of Islamic economists. Most works purported to be on methodology lack discussion on the principles and criteria that would justify ‘Islamicity’ of a theory in the process of interaction and assimilation of conventional concepts/theories into an Islamic framework. Even this article merely surveys briefly the writings and points out the issues and challenges, but does not discuss methodology of Islamic economics itself. It is probably here that Choudhury’s writings appeals to some in that he is calling for rather fundamental reforms bordering on a ‘revolution’ in approach.

Whether you agree with Choudhury or not, what is needed next can be divided into three tasks: first, Islamic economists should critically review the methodological principles or criteria that are widely discussed in conventional economics such as falsification, verification, rhetoric, etc. These have not received responses from Islamic economists writing on the subject so far. Second, principles on dealing with the heritage especially

its economic/social science dimension, needs to be elucidated. Third, integrating the results of the first two tasks in an organic manner should be attempted. The 'creative synthesis' talked about in the Islamization of Knowledge agenda, should include methodological principles and criteria.

In addition, in attempting to build an Islamic economic methodology, there may also be a need for Islamic economists to answer the first question put forward by Fox, i.e., 'what is the purpose of economic models and theory'. Is the purpose for understanding, description, explanation, prediction, or persuasion; or something else; or all of the above? More than 30 years ago Dugger (1979), in his study comparing institutionalist and neoclassical economic methodology, showed that their purposes of building models were different. In neoclassical economics, prediction is the main goal of economic models and theory, hence basic postulates (such as assumptions of utility maximization) in a predictive model is tested, i.e., by empirically comparing deductions (quantitative predictions) with observations, i.e., seeking 'empirical validity'. However, in institutional economics, the main aim is to understand behavioural patterns given certain institutional settings. Hence, 'pattern models' are tested by comparing hypothesized institutional structures with observations. The former could be characterised as more 'outcome' focused, while the latter is more 'input focused'. Hence the approach, unit of analysis, principles and criteria used in both schools legitimately vary. Very few, if any Islamic economist asks this question or is aware of its implications for developing Islamic economic methodology.

What adds to the challenge faced is that those principles or criteria (that are discussed in mainstream economics) are taken as 'given' although they only represent one school of economics. Hence, may have been designed in accordance with a framework in mind. This mainstream methodology may need to be critically evaluated from Islamic perspectives as it may be unable to cope with contemporary complex realities, nor with the richness and multidimensional nature of Islamic concepts (Sardar, 1988, 212). The resurgence of methodological studies among academic circles in the west over the last 40 years is a reflection of their uneasiness with hegemony of mainstream economics. However, many in the west have realized their 'foundational' mistake. Islamic economists should take cue.

If this critical evaluation is not done, it will leave the young Islamic economists who are involved in the process of developing Islamic economics unaware of what is 'acceptable' or 'unacceptable' and *why this is* so. If the Islamic methodological principles to establishing good theory over bad theory is not developed, one can only see 'palliative' works or worse still, patchwork efforts being undertaken since Islamic economists would unwittingly use 'Western criteria' for building and evaluating economic

theories and that too of neoclassical economics. Hence, this would distort the potential of Islamic economics as a distinct discipline. By highlighting these points, we hope that future research agenda will include the methodology agenda.

#### 4.5 ISLAMIZATION OF ECONOMICS?

In the discussion of methods rather than methodology and in the absence of Islamic criteria in methodological discussions, the process of Islamization of economics is more likely to be represented by a series of steps or stages or processes that should be followed in creating Islamic economics, as seen from the writings of the scholars discussed in Section 3.<sup>9</sup> The approach which now has become dominant in developing Islamic economics is criticized as unable to produce a distinct Islamic economics (Sardar, 1988; Kirmani, 1989; Alatas, 2006).

The Islamization of economics seems to be done ‘dichotomously’ between the conceptual (theoretical) and the empirical dimensions. In the conceptual part, Islamic economists attempt to find Islamic justification based on *Qur’ānic* verses over certain theories, while in the empirical part, Islamic economists just utilize and apply the common statistical methods into an Islamic/Muslim case, assuming no contradiction to Islamic heritage. Islamic economics heavily depends on conventional economics especially the dominant neo-classical paradigm as far as the empirical part of economics is concerned.

Consequently, as Syed Farid Alatas (2006) observed, Islamic economics as empirical theory has not done much. It remains within the fold of Western modernist discourse in terms of theoretical concerns and methodology, and has therefore failed to offer alternative principles to modernization and dependency on the dominant paradigm.<sup>10</sup> Sardar (1988; 2002) earlier also warned that,

“Islamic economics is little more than one huge attempt to cast Islamic institutions and dictates, like *zakāh* and prohibition of interest, into a western economic mould. The dominant models guide the analysis and shape the inquiry: everything is compared and contrasted with capitalism and socialism, highlighting the fact that there is an underlying apologia at work.”

Hence, in undertaking ‘simplistic Islamization of economics’, many well meaning Islamic economists often get trapped into the conventional paradigm. They may actually be contributing to the ‘westernization of Islam’, by fitting Islamic teachings into the neo-classical framework rather than the opposite, which is what ‘genuine Islamization of economics’ would

entail. The simplistic Islamization/integration program of modern economics and Islamic teachings has often led into ‘replication’ of conventional theory with no clear supporting evidence of Islamicity (Furqani and Zakariya Man, 2008). At most, the current development of Islamic economics is working within the boundaries of neoclassical theory, with some adjustments to incorporate teachings/norms/values that reflected certain requirements of Islam (Haneef, 2005). Choudhury (1999, 1) also argues that:

“In recent years when Muslim scholars wrote on Islamic economics, they had to turn to mainstream economic theories and clothe these up with a palliative of Islamic values. But no new challenge was posed on the epistemological beginnings of a new field of analytical and scientific study. There was no demand from the Muslim scholars to well-define a distinctive field of Islamic economics. The Muslim scholars thus approached the study of Islamic values in neoclassical economic models of behaviour and resource allocation without questioning either the value-orientation of neoclassicism or the possibility of treating Islamic values in such otherwise value-free models of economic behavior, pricing and allocation.”

As a result, Islamic economics, instead of becoming a distinct discipline that could analyze economics using its own distinct philosophy, concepts, framework and methods of analysis as intended by the project of Islamization of knowledge, has become almost a sub-discipline of conventional neoclassical economics, *without Islamic justification*.

## 5. CONCLUDING REMARKS

For Islamic economics to be truly meaningful especially in times of rising suspicions of the validity of conventional western-based economics, Islamic economists should put more effort in addressing the ‘methodology’ of Islamic economics. This includes investigating and producing Islamic criteria, principles, as well as justification in theory appraisal and evaluation. Methodology is not merely about steps, stages, or process in how to interact conventional economics and Islamic heritage. Methodology is beyond that. The Islamization of economics project therefore should be understood not in mechanistic way of interaction based on certain steps or process.

The emphasis should be to produce truly unique Muslim criteria at the first place before any interaction can take place in the Islamization process. The point of departure, therefore, is definitely the Islamic heritage and not the conventional framework. Islamic principles on economics must

be rediscovered and re-imagined and not taken or adopted from what that have already existed today. Yes, Islamic economics could benefit from the conventional theories, but Islamic proponents must be clear with the principles. The absence of a ‘thorough’ discussion on methodology of Islamic economics in the proper sense leads to uncritical acceptance of conventional economics in the process of Islamization of economics. A note by Kirmani (1989, 143) asserts that such a situation “deprived the best Muslim brains of the ability to evaluate the western scientific heritage and produce original science, and on the other hand forced them to compromise with the dichotomous situation in which the *Qur’ān* is considered to be emotionally supreme and science is rated rationally high”.

In addition, further works as an extension of the existing papers on methodology of Islamic economics that would systematically response to those conventional principles and offering Islamic principles and criteria in theory appraisal by scrutinizing the ‘multiple criteria’ of *wahy*, reasoning and empirical facts for appraising and evaluating Islamic economic theories remain an uncompleted task that need to be done.

At the end, methodology of Islamic economics should be able to produce a distinct knowledge of economics based on Islamic epistemological sources. Therefore, attempt to bring the philosophy of science discussion into Islamic economics is necessary. Methodological discussion should be viewed in a larger picture of epistemological project by providing a solid structure and foundation where the science of Islamic economics will flourish.

Contemporary Islamic Economics, banking and finance has certainly made a contribution to economics as a discipline and to the lives of Muslims for the last 30 years or so. Islamization of modern economics can certainly be an approach to develop contemporary Islamic economics in the 21st century. Within the Islamization of Modern Economics framework, work on substantive areas of economics, including banking and finance must continue. In addition however, this paper has called on those who support the development of contemporary Islamic economics to also give equal attention to more foundational areas such as methodology. Reasons for this were given by pointing out to the methodological nature of the Islamization process itself. As a discipline, focus should move to discussing *uṣūl al-iqtiṣād* that would involve a much wider scope of subjects covering worldview, philosophy especially epistemology, methodology of Islamic economics and other social/human sciences. If proponents of Islamic economics are determined to develop a truly meaningful and pragmatic alternative to western economics, going back to *uṣūl al-iqtiṣād* should be a primary objective above anything else.



## ENDNOTES

1. One can also not find many Ph.D Theses in this area. One recent exception is by Addas (2008). While acknowledging the increase in methodological writings in Islamic literature, Addas states that these are ‘confusing and sketchy’ (p.7). What he does present ‘mainstream economics’ postulates and positions, and tries to then give some Islamic input, on those positions. While a welcome addition to the limited literature in the area, there is still much work to be done.
2. While learning from the entire spectrum of views in both Islamic tradition and modern economics is a welcome endeavour, it must be done with caution as different schools of thought very often have different methodological positions. See Fox (1997) as well as writings of heterodox scholars in [www.hetecon.com](http://www.hetecon.com) and [www.paecon.net](http://www.paecon.net).
3. The *nucleus* is the knowledge of the *Qur’ān* and *Sunnah*. It is the centre for growth around which additional knowledge can be constructed. While a *corpus* is a collection of extractions from the *Qur’ān* and *Sunnah*. Knowledge in the nucleus pertaining to the economic behavior of individuals, families and societies can be collected to form an ‘economic corpus’.
4. In later works he uses the term principle of conscious oneness. He deserves greater study in his own right as he can perhaps be singled out the single most prolific writer on methodology/philosophy of Islamic economics and a mere paragraph on his ideas do not do justice to his voluminous writings.
5. The views of Siddiqi were originally written and presented in seminars in the early 1980s, subsequently also published by IIIT. However, we are using his 2001 book *An Islamic Approach to Economics* published by the Islamic Foundation, UK.
6. The paper was originally written in Arabic in early 1980s and appears in a collection of seminar papers published by the IIIT in 1989.
7. Machlup (1978, 61) then distinguishes between methodology (as defined above) and description of methods used in academic papers/research (what he terms as methodography or simply notes on methods). He takes to task many ignorant writers today who have ‘debased’ the term to the latter (1987, 7-8) and cautions that in the name of steering away from ‘abstract’ discussions, we should not be infected with ‘methodophobia’, a disease that creates a negative over reaction to the mention of the term.



8. Another possible option is to actually go beyond the boundaries of economics/*iqtiṣād*. *Iqtiṣād* may not be having the same scope of study as conventional economics, and could be viewed as a wider, multidisciplinary or even interdisciplinary body of knowledge. The history of economics itself developed from political economy, and earlier still, from moral philosophy. In Islamic scholarship, Ibn Khaldun talked about *‘ilm al-umrān* or the science of civilization. However, this would require a much greater discussion and is beyond the scope of this paper.

9. While many scholars have contributed to the Islamization of Knowledge (IOK) discourse over the years, all attempts at IOK are by definition, ‘step-by-step’, involving interaction between Islamic *turāth* and modern bodies of knowledge/disciplines. Hence, there is no ‘all or nothing’ approach in the IOK process (Hasan, 1998). There may be some scholars who viewed all modern knowledge as ‘unislamic’ hence the need to take nothing; some who saw all modern knowledge as ‘islamic’, hence, take all, but this is not the view of any serious proponent of IOK.

10. Alatas (2006) then continues criticizing Islamic economics as an empirical theory with “neo-classical guise” that “merely substituted Islamic terms for neo-classical ones, retaining the latter’s assumptions, procedures and modes of analysis. As such, it has failed to engage in the analysis and critique of a highly unequal world economic order in which the gaps are ever widening.”

## REFERENCES

- Addas, Waleed A.J. *Methodology of Economics: Secular vs Islamic*. Kuala Lumpur: IIUM Press, 2008.
- Ahmad, Khurshid. “Nature and Significance of Islamic Economics.” In *Lectures on Islamic Economics*, edited by Ausaf Ahmad and Kazim Raza Awan, 19-31. Jeddah: IRTI – IDB, 1992.
- Alatas, Syed Farid. “Islam and the Science of Economics.” In *The Blackwell Companion to Contemporary Islamic Thought*, edited by Ibrahim M. Abu Rabi’, 587-606. USA: Blackwell Publishing, 2006.
- Al-Attas, Syed Muhammad Naquib. “Islamic Philosophy: An Introduction.” *Journal of Islamic Philosophy*, 1, no.1 (2005): 11–43.
- Al-Ṣadr, Muhammad Baqir. *Iqtiṣādunā: Our Economics*. Tehran, Iran: World Organization for Islamic Services, 1983.
- Anwar, Muhammad. “Islamic Economic Methodology.” *Journal of Objectives Studies* 2, no.1 (1990): 28-46.
- Arif, Muhammad. “The Islamization of Knowledge and Some Methodological

- Issues in Paradigm Building: The General Case of Social Science with A Special Focus on Economics. *American Journal of Islamic Social Science* 4, no.1 (1987): 51-71.
- Blaug, Mark. *The Methodology of Economics: Or How Economists Explain*. Cambridge: Cambridge University Press, 1993.
- Chapra, M. Umer. *What is Islamic Economics*. Jeddah: IRTI – IDB, 1996.
- . *The Future of Economics: An Islamic Perspective*. UK: The Islamic Foundation, 2000.
- Choudhury, Masudul Alam. *Contributions to Islamic Economic Theory: A Study in Social Economics*. New York: St. Martin's Press, 1986.
- . *Principles of Islamic Political Economy: A Methodological Inquiry*. UK: Macmillan Press.
- . "Islamic Economics and Islamic Political Economy." *Humanomics* 25, no. 5 (1999): 1-5.
- Dow, Sheila C. *The Methodology of Macroeconomic Thought A Conceptual Analysis of Schools of Thought in Economics*. Cheltenham, UK: Edward Elgar, 1996.
- Dugger, William. "Methodological Differences Between Institutional and Neoclassical Economics." *Journal of Economic Issues*, 13 no. 4 (1979).
- Fox, Glen. *Reason and Reality in the Methodologies of Economics*. UK: Edward Elgar, 1997.
- Furqani, Hafas. "Ontology and Methodology of Contemporary Islamic Economics: A Preliminary Exploration." Master Thesis, International Islamic University Malaysia, 2006.
- Furqani, Hafas, and Zakariya, Man. "The Emergence of Contemporary Islamic Economics: A Sketch of Its Historical Development." Paper presented at the *1st International Workshop on Islamic Economics: Exploring Islamic Economic Theory*, Yogyakarta, Indonesia, August 11-12, 2008.
- Haneef, Mohamed Aslam Mohamed. "Islam, the Islamic Worldview, and Islamic Economics." *IJUM Journal of Economics and Management* 5, no.1 (1997): 39-65.
- . "Can There be an Economics Based on Religion? The Case of Islamic Economics." *Post-Autistic Economics Review* 34 (2005). Accessed March 25, 2006. <http://www.paecon.net/PAERReview/issue34/Haneef34.htm>
- , and Hafas Furqani. "*Uṣūl al-Iqtiṣād: The Missing Dimensions in Contemporary Islamic Economics and Finance*. In *Readings in Islamic Economics and Finance*," edited by Nurazura Sanusi, 1-16. Sintok: UUM Publications, 2007.
- Hasan, Zubair. "Islamization of Knowledge in Economics: Issues and Agenda." *IJUM Journal of Economics and Management* 6, no. 2 (1998): 1-40.

- Kirmani, Mohammad Zaki. "Islamic Science Moving towards a New Paradigm." In *An Early Crescent: The Future of Knowledge and the Environment in Islam*, edited by Ziauddin Sardar. London: Mansell Publishing Ltd, 1989.
- Kahf, Monzer. "Islamic Economics: Notes on Definition and Methodology." *Review of Islamic Economics* 13 (2003): 23-47.
- Khan, Muhammad Akram. "Islamic Economics: Nature and Need." *Journal of Research in Islamic Economics* 1, no. 2 (1984): 55-61.
- . "Methodology of Islamic Economics." *Journal of Islamic Economics*, 1, no.1 (1987): 17-33.
- . "Islamic Economics The State of the Art." In *Readings in the Concept and Methodology of Islamic Economics*, edited by Aidit Ghazali and Syed Omar Syed Agil, 120-40. Malaysia: Pelanduk Publications, 1989.
- Machlup, Fritz. *Methodology of Economics and Other Social Sciences*. New York: Academic Press Inc, 1978.
- Mannan, M. A. "Islamic Economics as a Social Science: Some Methodological Issues." *Journal of Research in Islamic Economics* 1, no.1 (1983): 56.
- . M. A. *The Making of Islamic Economic Society*. Jeddah, Saudi Arabia: Islamic Research and Training Institute and King Abdul Aziz University, 1984.
- . *Islamic Economics: Theory and Practice*. Cambridge: Hodder and Stoughton, 1986.
- Metwally, M. M. *Essays on Islamic Economics*. Gujarat, India: Academic Publisher, 1993.
- Nasr, Seyyed Vali Reza. "Towards a Philosophy of Islamic Economics." *The Muslim World* LXXVII (1987): 175-196.
- Naqvi, Syed Nawab Haider. *Ethics and Economics: An Islamic Synthesis*. United Kingdom: The Islamic Foundation, 1981.
- . *Islam, Economics and Society*. London: Kegan Paul International, 1994.
- Safi, Louay. *The Foundation of Knowledge: A Comparative Study in Islamic and Western Methods of Inquiry*. Malaysia: IIUM & IIIT, 1996.
- Sardar, Ziauddin. *Islamic Futures: The Shape of Ideas to Come*. Kuala Lumpur: Pelanduk Publication, 1988.
- Siddiqi, Muhammad Nejatullah. *Some Aspects of the Islamic Economy*. Lahore: Islamic Publications ltd, 1982.
- Zarqa, Muhammmad Anas. "Islamization of Economics: The Concept and Methodology." *Journal of King Abdul Aziz University: Islamic Economics* 16, no.1 (2003): 3-42.





## **PRIORITIZING ISSUES OF MALAYSIAN VISION 2020: AN APPLICATION OF THE ANALYTIC HIERARCHY PROCESS AND QUALITY FUNCTION DEPLOYMENT**

Rafikul Islam<sup>a</sup> and Yusof Ismail<sup>b</sup>

*<sup>a</sup>Department of Business Administration, Kulliyah of Economics and Management Sciences, International Islamic University Malaysia, P.O. Box 10, 50728 Kuala Lumpur, Malaysia. (Email: rislam@iium.edu.my)*

*<sup>b</sup>Department of Business Administration, Kulliyah of Economics and Management Sciences, International Islamic University Malaysia, P.O. Box 10, 50728 Kuala Lumpur, Malaysia. (Email: yusof@iium.edu.my)*

---

### **ABSTRACT**

The objectives of this research are to obtain the people's perception towards a number of issues pertaining to the realization of Malaysian Vision 2020, to rank the challenges of Vision 2020 and to collect suggestions to expedite the realization of the vision. Based on a nationwide survey, an affinity diagram was formed and the Analytic Hierarchy Process (AHP) was applied to identify the main issues for implementation. Furthermore, the Quality Function Deployment (QFD) model was utilized to show the strength of relationships between the various challenges of Vision 2020 and twenty categories of suggestions obtained in the survey. The respondents were also asked to rank the nine strategic challenges of Vision 2020, and the results show the three most crucial Vision 2020 challenges: 'Establishing a fully moral and ethical society', 'Establishing a united Malaysian nation made up of one *Bangsa* Malaysia (Malaysian nation)', and 'Creating a psychologically liberated, secure and developed Malaysian society'. The AHP prioritization process also identifies the salient public suggestions. The findings suggest that the government machinery should keep the public better informed of the issues, improve their perceptions and solicit their contributions. Since this study focuses on urban respondents with higher educational qualifications, future studies should focus on those in rural areas. As the government needs to be aware of the public feedback on the issue, this survey has managed to identify what are lacking in the government's efforts and what more need to be done in order to expedite the realization of Vision 2020.

JEL Classification: O10, O20, H11

Key words: Vision 2020, Prioritization, Analytic Hierarchy Process, Quality Function Deployment, Malaysia

---

## 1. INTRODUCTION

Vision is a long-term objective that provides an insight into the future direction, which a nation/organization needs to move, just as an identified destination gives a direction to a journey. A well-defined vision gives focus and direction to the formulation of current programs and in turn links current actions to the achievement of future goals. Malaysian Vision 2020 was unveiled by the former Prime Minister of Malaysia, Tun Dr. Mahathir bin Mohamad at the inaugural meeting of the Malaysian Business Council on the 28<sup>th</sup> of February, 1991. The Malaysian cabinet approved the vision unanimously and mandated for an immediate national conference, which took place in December, 1991. A pool from the country's intelligentsia participated in this conference and shared their positive views and optimism on the realization of Vision 2020 and it became a national vision soon after. Till date, a number of books have been written and numerous seminars/exhibitions have been organized to cascade the vision down to the populace (Sarji, 1993; Yeoh, 1993; Sarji, 1996). Above all, the present government that comes from the same political party as the former Prime Minister, is fully supportive of the vision and works diligently for its realization.

The gist of this vision is to see Malaysia as a fully developed country.<sup>1</sup> The Vision 2020 statement is:

“By the year 2020, Malaysia is to be a united nation, with a confident Malaysian society, infused by strong moral and ethical values, living in a society that is democratic, liberal, caring, economically just and equitable, progressive and prosperous, and in full possession of an economy that is competitive, dynamic, robust and resilient,” (Rahman, 1993).

In a National Seminar held in 1991, the then Deputy Prime Minister of Malaysia, Tun Abdul Ghafar Baba, stressed Malaysia should not only be developed economically, but also in all dimensions including political, social, spiritual, psychological as well as cultural. More importantly, in the efforts towards a developed status, Malaysia should also endeavor to create a united, confident, socially just and politically stable Malaysian society in which everybody has a place and takes pride in being a Malaysian.<sup>2</sup> In short, Vision 2020 (henceforth referred to as V-2020 for brevity) reflects the vision of a fully developed and industrialized Malaysia by the year 2020, in all dimensions. Tun Mahathir Mohamad also stated this as follows (Mohamad, 1991):

“Malaysia should not be developed only in the economic sense. It must be a nation that is fully developed along all the dimensions: economically, politically, socially, spiritually, psychologically and culturally. We must be fully developed in terms of national unity and social cohesion, in terms of our economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence.”

The Specific objectives of V-2020 are as follows:

- To have sufficient food and shelter with easy access to health and basic essentials.
- To eradicate poverty.
- To remove the identification of race with major economic functions and to have a fair distribution with regard to the control, management and ownership of the modern economy.
- To maintain annual population growth rate of 2.5% .
- To double real GDP every ten years between 1990 and 2020.
- To have a balanced growth in all sectors namely: industry, agroforestry, energy, transport, tourism and communications, banking, that is technologically proficient, fully able to adapt, innovative, with a view to always moving to higher levels of technology.

From the above, it is clear that the focus of V-2020 is not only on the economic aspects of development but also on the interrelated aspects such as social justice, quality of life, moral and ethical values, work ethics and so on (Kassim, 1993). To achieve the various objectives of V-2020, the former PM identified nine strategic challenges and according to him, if these challenges are successfully addressed, then Malaysia will be able to realize the objectives of V-2020. The nine challenges are:

- i. Establishing a united Malaysian nation made up of one *Bangsa Malaysia* (Malaysian nation)
- ii. Creating a psychologically liberated, secure, and developed Malaysian society.
- iii. Fostering and developing a mature democratic society.
- iv. Establishing a fully moral and ethical society.
- v. Establishing a mature, liberal and tolerant society.
- vi. Establishing a scientific and progressive society.
- vii. Establishing a fully caring society.
- viii. Ensuring an economically just society, in which there is fair and

equitable distribution of wealth of the nation.

- ix. Establishing a prosperous society with an economy that is fully competitive, dynamic, robust and resilient.

V-2020 is a buzz word in Malaysia and the government is keen to achieve this lofty vision. However, when we talk to the public about this, they are, in general, of the opinion that many more things need to be done before the nation achieves the vision. A formal questionnaire was developed to know the present level of achievement. Specifically, the objectives of the present research are to obtain the people's perception towards a number of issues pertaining to the realization of V-2020, to rank the challenges of V-2020 and to collect suggestions that can expedite the realization of the vision. The details are provided in the following sections.

## 2. PUBLIC OPINION ON REALIZATION OF V-2020

We have been able to contact 759 people in Malaysia for the purpose of obtaining feedback through a questionnaire. All the people were contacted personally. Since the survey is on the national vision, the respondents contacted belonged to all the states of Malaysia. In fact, we, together with our nominated research assistants visited all the 13 states of Malaysia and the federal territory of Kuala Lumpur to obtain the feedback. The details of the demographic information are provided in Table 1.



TABLE 1  
 Respondents' Demographic Information.

Variable*	Frequency	Percent
Gender		
Male	417	54.9
Female	342	45.1
Race		
Malay	510	67.2
Chinese	82	10.8
Indian	61	8.0
Others	106	14.0
Age group		
20 years or below	23	3.0
21-30 years	375	49.4
31-40 years	204	26.9
41-50 years	99	13.0
Above 50 years	57	7.5
Highest level of education		
O Level	28	3.7
A Level	17	2.2
Diploma	100	13.2
Professional	38	5.0
Bachelors	353	46.5
Masters	120	15.8
Ph.D.	59	7.8
Others	41	5.4
Marital status		
Single	357	47.0
Married	395	52.0
Divorced	4	0.5
Type of employment		
Public	269	35.4
Private	289	38.1
Self-employed	61	8.0
Others	133	17.5

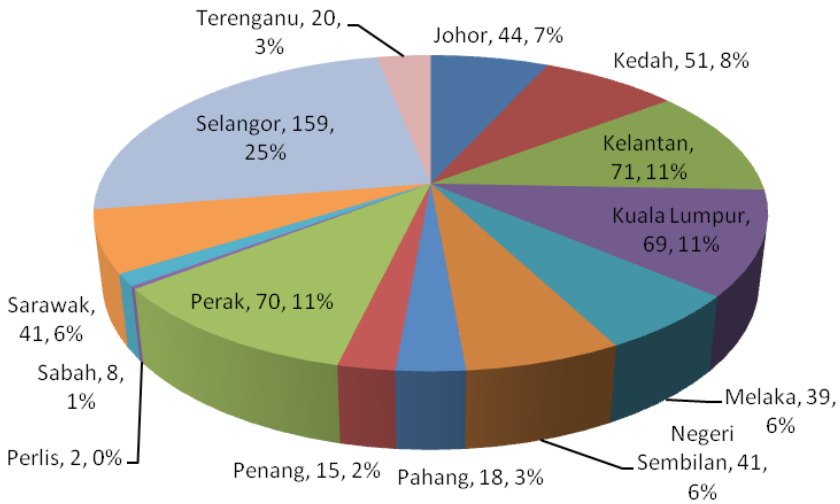
Note: \* Missing entries are not included in the numerical figures.

Malaysia is a multiracial country. In addition to this, the country's total population consists of a sizable percentage of foreigners, who belong to mainly three categories: students, professionals, and workers. We were also interested to know their views on the nation's aspiration to become developed and how far the country has progressed. However, we considered only the professionals from among the foreigners for obtaining the feedback. The statistics of the respondents across various states of Malaysia and the world are provided in Table 2. It is to be noted that out of 759 respondents, 106 are foreigners belonging to 28 countries (the list of countries are arranged alphabetically starting and ending with Afghanistan and Zimbabwe, respectively. Further, not all the respondents mentioned their state or nationality in the questionnaire.).

TABLE 2  
Statistics of Respondents Across Various States of Malaysia and the World

Malaysian		International			
State	No. of respondents	Country	No. of respondents	Country	No. of respondents
Johor	44	Afghanistan	1	Oman	1
Kedah	51	Albania	1	Pakistan	6
Kelantan	71	Algeria	3	Saudi Arabia	6
Kuala Lumpur	69	Bangladesh	15	Senegal	1
Melaka	39	China	2	Singapore	1
Pahang	18	Egypt	2	Somalia	1
Penang	15	Ghana	1	Sri Lanka	1
Perak	70	India	6	Sudan	1
Perlis	2	Indonesia	14	Tanzania	1
Sabah	8	Iran	2	Tunisia	1
Sarawak	41	Kenya	1	Turkey	1
Selangor	159	Malawi	1	Uganda	2
Negeri Sembilan	41	Maldives	2	Yemen	1
Terengganu	20	Nigeria	2	Zimbabwe	1

FIGURE 1  
Responses Received from the Various States of Malaysia



The number and percentages of the respondents who provided feedback from various states of Malaysia are also shown by means of a pie chart (see Figure 1). As shown, the highest number of respondents are drawn from the state of Selangor (the most developed state in Malaysia<sup>3</sup>) followed by Kelantan, Perak and Kuala Lumpur.

After providing the demographic information, the respondents were asked seven ‘Yes/No’ type of questions. The frequency distribution of the responses is provided in Table 3. A number of observations can be made from these responses. More than 50% of the respondents either said ‘No’ or ‘Not sure’ on whether Malaysia can achieve the status of developed nation by 2020. However, proportional hypothesis test does not confirm that the minority said ‘Yes’ ( $p = 0.1583$ ). Therefore, the responses on the question is evenly distributed between ‘Yes’ and ‘No and Not Sure’.

TABLE 3  
Analysis of People's Responses Against Yes/No Type of Questions

Question	Yes	No	Not Sure
Do you think that Malaysia can achieve the status of developed nation by 2020?	366 (48.2)	118 (15.5)	262 (34.5)
Do you think that the initiatives from the government to achieve the status of developed nation are enough?	190 (25.0)	315 (41.5)	239 (31.5)
Do you think that the initiatives from the government to achieve the status of developed nation are working properly?	252 (33.2)	238 (31.4)	255 (33.6)
Is the cooperation of the people with the government to achieve developed nation sufficient?	198 (26.1)	342 (45.1)	205 (27.0)
Do you think that the present education system in Malaysia is able to prepare the nation to be developed by 2020?	219 (28.9)	369 (48.6)	158 (20.8)
Is the human resource skilled enough and ready to take challenges to achieve the targets of a developed nation by 2020?	153 (20.2)	407 (53.6)	187 (24.6)
Are the monitoring agencies active enough to monitor the progress pertaining to all the challenges of vision 2020?	135 (17.8)	313 (41.2)	297 (39.1)

In the remaining six questions, the majority of the respondents answered in the negative. In particular, the respondents do not think that:

- The initiatives taken by the government to achieve the status of a developed nation are enough.
- The initiatives taken by the government to achieve the status are working properly.
- The cooperation of the people with the government to achieve developed nation is sufficient.
- The present education system in Malaysia is able to prepare the nation to be developed by 2020.
- The human resource is skilled enough and ready to take challenges to achieve the targets of a developed nation by 2020.
- The monitoring agencies are active enough to monitor the progress pertaining to all the challenges of vision 2020.

The high percentages of responses under the column ‘Not Sure’ are noteworthy. About 39% (highest percentage under ‘Not Sure’ category) of the respondents are not aware about the existence of any agencies that monitor the progress of achieving the status. We also find that 53.6% (overall highest percentage) of the respondents do not think that the country’s human resource is skilled enough and ready to take the challenges of V-2020.

### 3. RANKING OF CHALLENGES OF V-2020

Mahathir Mohamad (Mohamad, 1991) said:

“There can be no fully developed Malaysia until we have finally overcome the nine central strategic challenges that have confronted us from the moment of our birth as an independent nation.”

In fact, the nine strategic challenges and Malaysian Vision 2020 are inseparable from one another. However, not all challenges of V-2020 are usually regarded as equally important. The respondents were asked to rank the challenges according to their perceived importance. The most perceived important one is to be assigned rank 1, the second most the rank 2, etc. After collecting all the ranks assigned by them, arithmetic means were computed and these are shown in the second column of Table 4. As per the assignment of the ranks, the lower the mean value, the higher is the importance. Based upon this premise, the ordinal ranks of the challenges are determined and shown in the table.

It should be noted that the overall ranks of the challenges are determined on the basis of the mean values, which in turn, have been computed on the individual ranks assigned by the respondents. The objective was not to identify the significant differences among the mean values, rather to order them in accordance of their perceived importance. Nevertheless, a statistical test has been performed on the mean values corresponding to the individual challenges with regards to various demographic variables (see Section 4).

TABLE 4  
 Ranking of Challenges of V-2020

Challenge	Mean Rank (cardinal)	Std Dev.	Mean Rank (ordinal)	Weight*
Establishing a united Malaysian nation made up of one <i>Bangsa Malaysia</i> (Malaysian nation)	4.383	3.201	2	0.178
Creating a psychologically liberated, secure and developed Malaysian society	4.896	2.358	3	0.156
Fostering and developing a mature democratic society	4.912	2.366	4	0.133
Establishing a fully moral and ethical society	4.037	2.392	1	0.200
Establishing a mature, liberal and tolerant society	5.203	2.140	6	0.089
Establishing a scientific and progressive society	5.578	2.239	8	0.044
Establishing a fully caring society	5.686	2.474	9	0.022
Ensuring an economically just society, in which there is fair and equitable distribution of wealth of the nation	4.925	2.647	5	0.111
Establishing a prosperous society with an economy that is fully competitive, dynamic, robust and resilient	5.346	2.806	7	0.067

**Note:** \* Based upon ordinal mean ranks.

The three most important challenges are found to be:

- Establishing a fully moral and ethical society.
- Establishing a united Malaysian nation made up of one *Bangsa Malaysia* (Malaysian nation).
- Creating a psychologically liberated, secure, and developed Malaysian society.

It should also be noted that, economic challenge (challenge number 9) is not ranked one, contrary to what one might initially think. In fact, this has been assigned overall rank 7. Perhaps the country's concern on crime rate, problems related to morality (albeit in certain cases) and fragile unity among various races are the underlying reasons for this finding. In fact, the former Prime Minister Tun Dr. Mahathir, in one of his speeches, mentioned that he would be surprised

if Malaysia does not consider the challenge of establishing a united Malaysian nation as the most crucial one (Mohamad, 1991). It is interesting to note that the present Prime Minister, Dato’ Seri Najib Tun Razak’s national slogan is “1 Malaysia” (Razak, 2009). This is reasonable and expected as unity is an antecedent for any kind of development in a multi-racial country like Malaysia.

Cardinal weights (where sum equals to unity) of the challenges are determined from their mean ordinal ranks by using the following formula:

$$w_i = \frac{n - r_i + 1}{\sum_i (n - r_i + 1)}$$

where  $n$  = number of challenges, and  $r_i$  = rank of the  $i^{th}$  challenge. The weights are shown in the last column of Table 4. The purpose of obtaining these weights is to use them later into the Quality Function Deployment (QFD) framework (see Section 6).

Table 5 provides the frequencies of the ranks of the five most important challenges. As we observe, 227 respondents (29.9%, overall largest percentage) ranked ‘Establishing a united Malaysian nation’ as the number one challenge, though overall the challenge holds 2<sup>nd</sup> rank. It is also observed that those who did not rank this challenge as number one, they put it in a considerably low rank. In fact, 130 (17.1%) respondents assigned 9<sup>th</sup> rank (rank 9 is not shown in Table 5). Therefore, people are divided in terms of assigning ranks to this challenge. On the other hand, ‘Establishing a fully moral and ethical society’ has received a consistently higher rank; about 16.5% of the respondents’ most critical challenge is this one. For the other three remaining challenges in Table 5, ranks are distributed evenly (especially for ranks 2<sup>nd</sup> through 5<sup>th</sup>).

TABLE 5  
Frequency Distribution of the Five Most Important Challenges

Rank	C <sub>4</sub>	C <sub>1</sub>	C <sub>2</sub>	C <sub>3</sub>	C <sub>8</sub>
1 <sup>st</sup>	125 (16.5)	227 (29.9)	52 (6.9)	44 (5.8)	74 (9.7)
2 <sup>nd</sup>	99 (13.0)	45 (5.9)	77 (10.1)	93 (12.3)	86 (11.3)
3 <sup>rd</sup>	80 (10.5)	44 (5.8)	87 (11.5)	73 (9.6)	88 (11.6)
4 <sup>th</sup>	87 (11.5)	49 (6.5)	80 (10.5)	84 (11.1)	55 (7.2)
5 <sup>th</sup>	70 (9.2)	40 (5.3)	81 (10.7)	86 (11.9)	72 (9.5)

**Notes:** C<sub>4</sub>: Forming a community that has high morale, ethics, and religious strength; C<sub>1</sub>: Establishing a united Malaysian nation; C<sub>2</sub>: Creating a psychologically liberated, secure, and developed Malaysian society; C<sub>3</sub>: Developing a mature democratic community; C<sub>8</sub>: Establishing a prosperous society.

#### 4. ANALYSIS OF RANKING OF THE CHALLENGES BASED ON DEMOGRAPHIC FACTORS

Table 4 has shown the overall ranking of all the nine challenges for all the respondents regardless of their demography. Table 6 provides the ranking of the same set of challenges based upon the demography of the respondents: gender, race, age, education, marital status and type of employment. As we observe, these individual ranks corroborate with the corresponding overall ranks. For example, the overall rank of  $C_1$  (i.e., Challenge 1) is 2, which is also the rank assigned by the majority of the respondents belonging to various levels of the demographic variables. Similar comments apply to all other challenges in terms of their overall and individual ranks.

For every pair of levels of various demographic variables, Spearman's rank correlation coefficients (RCC) have been computed and subsequently using SPSS version 16, a non-parametric hypothesis test has been performed to prove or disprove that the ranks are statistically same. The results are shown in Table 7. As we see the ranks are correlated for the majority of all possible pairs. The minimum and maximum RCCs are found to be 0.217 (Masters and PhD degree holders) and 0.955 (age groups 30-40 years and above 50 years). It is important to note that while ranking the challenges, people having different educational qualifications have differed significantly.

Table 7 shows the Spearman's rank correlation coefficients (RCCs) that have been computed considering all the challenges. However, high rank correlations do not mean that the respondents with regards to a particular demographic factor concur on the same rank for all the challenges. In fact, there are changes in ranks (see Table 6) for different levels of demographic variables as none of the RCCs is found to be unity. Therefore, with respect to various levels of a particular demographic variable, an attempt has been made to identify significant differences, if any, between the ranks of a specific V-2020 challenge.

Two-sample *t*-test has been performed for the demographic variables (eg., gender, marital status, employment status) which have only two levels, while for the variables having more than two levels (eg., race, age, education), one-way ANOVA has been performed. The details on the differences of ranks among various levels of the demographic variables are provided below.



**Gender:** No significant difference is found between males and females on any challenge of V-2020.

**Race:** Indians consider the challenge 'Establishing a united Malaysian nation' more important than Malays and Chinese do (in both cases  $p = 0.004$ ). Indians also favor 'Developing a mature democratic community' more than Malays do ( $p = 0.004$ ). On the other hand, Malays vote for 'Forming a community that has high morale, ethics, and religious strength' more than Indians ( $p = 0.022$ ). Further, Chinese community prefer to assign more weight to 'Establishing a mature, liberal and tolerant society' compared to both Malays ( $p = 0.025$ ) and Indians ( $p = 0.008$ ). Finally, Malays consider 'Establishing a fully caring society' more important compared to Chinese ( $p = 0.019$ ) and Indians ( $p = 0.045$ ).

**Age:** High correlations are found between various levels of this variable, except one pair. The age group 30-40 years considers 'Establishing a scientific and progressive society' more important than the age group 40-50 years ( $p = 0.008$ ) and above 50 years ( $p = 0.011$ ).

**Education:** With respect to educational backgrounds, a number of differences are identified. Diploma ( $p = 0.001$ ), Bachelors ( $p = 0.004$ ) and PhD ( $p = 0.044$ ) degree holders consider 'Establishing a united Malaysian nation' significantly more important compared to Masters degree holders. In fact, to the Masters holders, the challenge's rank is 8, where as, for the rest, the rank is either 1 or 2. Further, to the Diploma holders, 'Developing a mature democratic community' is more important than PhD holders ( $p = 0.021$ ). On the other hand, Masters and PhD degree holders consider 'Forming a community that has high morale, ethics and religious strength' more critical compared to the Diploma holders. Finally, Masters degree holders assign more weight to 'Establishing a scientific and progressive society' compared to Diploma holders.

**Marital status:** Like gender, no significant difference is found between ranks assigned by married and unmarried respondents.

**Employment status:** Employees working in the private sector assigns more importance to 'Establishing a prosperous society with an economy that is fully competitive, dynamic, robust, and resilient' over their counterparts who are working in the public sector.

TABLE 6  
Ranking of the Challenges based upon Respondents' Demographic Factors

Challenge	Gender		Race			Age					Education				Marital status		Employment type		
	G <sub>1</sub>	G <sub>2</sub>	R <sub>1</sub>	R <sub>2</sub>	R <sub>3</sub>	A <sub>1</sub>	A <sub>2</sub>	A <sub>3</sub>	A <sub>4</sub>	A <sub>5</sub>	E <sub>1</sub>	E <sub>2</sub>	E <sub>3</sub>	E <sub>4</sub>	M <sub>1</sub>	M <sub>2</sub>	W <sub>1</sub>	W <sub>2</sub>	W <sub>3</sub>
C <sub>1</sub>	2	2	2	6	1	2	2	2	2	1	1	2	8	2	2	2	2	2	2
C <sub>2</sub>	4	4	3	3	5	4	4	3	5	4	3	4	5	6	4	3	3	5	5
C <sub>3</sub>	3	5	5	2	2	6	3	5	4	5	2	5	7	8	3	5	5	3	3
C <sub>4</sub>	1	1	1	1	4	1	1	1	1	2	4	1	1	1	1	1	1	1	1
C <sub>5</sub>	6	6	6	4	7	7	6	7	8	7	6	6	3	5	6	7	6	7	4
C <sub>6</sub>	8	8	9	8	8	8	9	8	7	9	9	8	4	9	8	8	9	8	9
C <sub>7</sub>	9	9	8	9	9	5	8	9	9	8	5	9	9	4	9	9	8	9	7
C <sub>8</sub>	5	3	4	7	3	3	5	4	3	3	7	3	2	3	5	4	4	4	6
C <sub>9</sub>	7	7	7	5	6	9	7	6	6	6	8	7	6	7	7	6	7	6	8

Notes: C<sub>1</sub> – C<sub>9</sub> = Nine challenges of V-2020; G<sub>1</sub> = Male, G<sub>2</sub> = Female; R<sub>1</sub> = Malay, R<sub>2</sub> = Chinese, R<sub>3</sub> = Indian; A<sub>1</sub> = <20 years, A<sub>2</sub> = 20-30 years, A<sub>3</sub> = 31-40 years, A<sub>4</sub> = 41-50 years, A<sub>5</sub> = > 50 years; E<sub>1</sub> = Diploma, E<sub>2</sub> = Bachelors, E<sub>3</sub> = Masters, E<sub>4</sub> = Ph.D.; M<sub>1</sub> = Single, M<sub>2</sub> = Married; W<sub>1</sub> = Public, W<sub>2</sub> = Private, W<sub>3</sub> = Self-employed.

TABLE 7  
Spearman's Rank Correlation Coefficients Between Each Pair of Levels of Various Demographic Factors

Gender	Race			Age									
	$G_1G_2$	$R_1R_2$	$R_1R_3$	$R_2R_3$	$A_1A_2$	$A_1A_3$	$A_1A_4$	$A_1A_5$	$A_2A_3$	$A_2A_4$	$A_2A_5$	$A_3A_4$	$A_3A_5$
0.933**	0.633	0.767*	0.467	0.767*	0.767*	0.733*	0.817**	0.917**	0.867**	0.900**	0.933**	0.950**	0.917**
	Education			MS					Employment				
$E_1E_2$	$E_1E_3$	$E_1E_4$	$E_2E_3$	$E_2E_4$	$E_3E_4$	$M_1M_2$	$W_1W_2$	$W_1W_3$	$W_2W_3$				
0.550	0.383	0.383	0.433	0.667	0.217	0.933**	0.900**	0.850**	0.817**				

Notes: \*Correlation is significant at the 5% level, \*\* Correlation is significant at the 1% level.

Duncan’s multiple comparison test has also been performed. The purpose of this test is to identify the pair of levels for a demographic variable that differ significantly. Duncan’s homogeneous subsets (for alpha = 0.05) are shown in Table 8. As expected, the previous observations are once again revealed in the test results. For example, on the importance of national unity, Indians and Malays belong to different sets.

TABLE 8  
Duncan’s Multiple Comparison Test

Demographic factor	Challenge	Subsets for alpha = 0.05		
		1	2	3
Race	C <sub>1</sub>	R <sub>3</sub>	R <sub>1</sub>	R <sub>1</sub> , R <sub>2</sub>
	C <sub>3</sub>	R <sub>3</sub> , R <sub>2</sub>	R <sub>2</sub> , R <sub>1</sub>	
	C <sub>4</sub>	R <sub>1</sub>	R <sub>1</sub> , R <sub>2</sub>	R <sub>2</sub> , R <sub>3</sub>
	C <sub>5</sub>	R <sub>2</sub> , R <sub>1</sub>	R <sub>1</sub> , R <sub>3</sub>	
Qualification	C <sub>1</sub>	E <sub>1</sub> , E <sub>2</sub> , E <sub>3</sub>	E <sub>1</sub> , E <sub>2</sub> , E <sub>3</sub> , E <sub>4</sub>	
	C <sub>4</sub>	E <sub>4</sub> , E <sub>3</sub>	E <sub>4</sub> , E <sub>3</sub> , E <sub>2</sub>	E <sub>3</sub> , E <sub>2</sub>
	C <sub>7</sub>	E <sub>4</sub> , E <sub>1</sub> , E <sub>2</sub> , E <sub>3</sub>	E <sub>2</sub> , E <sub>3</sub>	
Age	C <sub>6</sub>	A <sub>4</sub> , A <sub>3</sub> , A <sub>1</sub> , A <sub>2</sub>	A <sub>1</sub> , A <sub>2</sub> , A <sub>5</sub>	
Employment	C <sub>4</sub>	W <sub>3</sub> , W <sub>1</sub>	W <sub>3</sub> , W <sub>1</sub> , W <sub>2</sub>	

### 5. SUGGESTIONS FOR ACHIEVING V-2020

The main purpose of the questionnaire survey was to collect suggestions from the public to expedite the process of achieving the developed status. Seventy percent of the total of 759 respondents of the survey hold Bachelor’s, Master’s, or PhD degrees and can reasonably be assumed to possess a fair amount of knowledge about a developed nation and whether or not Malaysia

fulfills the requirements of a developed nation. Further, the mass media are playing a pivotal role in educating the populace on the status of the economical and other kinds of development of the country.

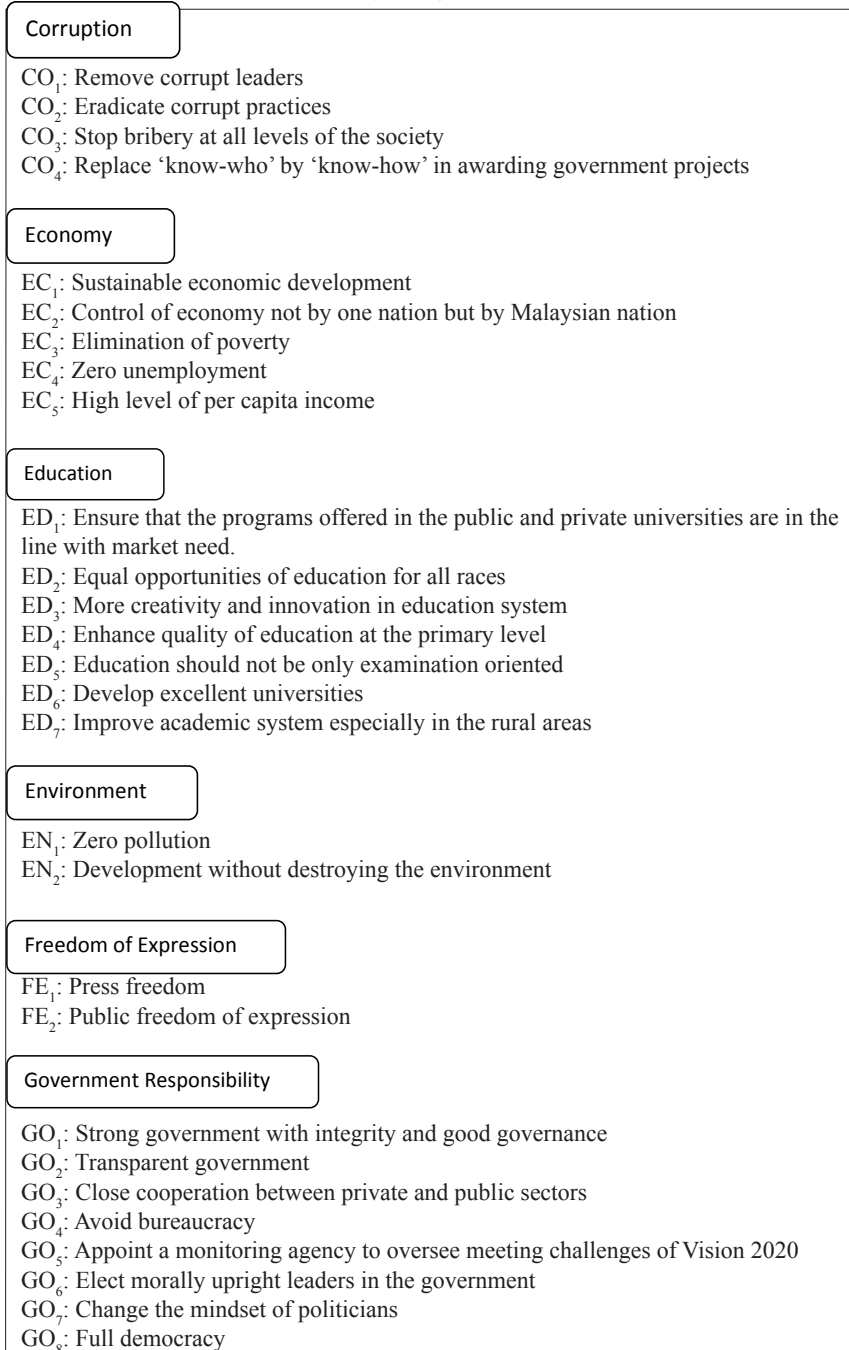
As it was anticipated, the respondents touched upon a wide variety of issues and initially the suggestions were very unstructured. People were vocal about government responsibility, equitable distribution of wealth, preventing corruption and, of course, the ubiquitous issue of economy. Altogether 423 suggestions (some of them are mere comments) were received of which many are repeated a large number of times. For example, numerous people voiced out 'develop human capital', 'fair and equitable distribution of wealth', 'eliminate corruption', etc.

All the suggestions provided by the respondents are classified into 20 categories. The categorization process started with the identification of the suggestions that have 'affinity' among them and pertain to a central theme. For example, the common theme of the suggestions 'Ensure that the programs offered in the public and private universities are in the line with market need' and 'Education should not be only examination oriented' is "Education". So, these two suggestions were placed under Education category. Following this approach, the whole affinity diagram was developed. Thirteen of 20 categories possess a number of distinct items. An affinity diagram has been formed for these 13 categories (Figure 2). However, Islam (2005) commented that mere construction of an affinity diagram is not sufficient, rather one needs to prioritize the items within the components of the diagram in order to identify the items that deserve more attention.

The distinct items are singled out and used for prioritization by the AHP. In fact, to frame a distinct item, a few similar items have been combined. This does not only reduce the number of items but also makes it amenable to the application of AHP (Saaty, 2005). For example, under the category of 'Social Life', the suggestion 'Inculcate sharing and caring culture in the society' is actually an integrated form of the following suggestions:

- Culture of caring each other and respect others opinions.<sup>4</sup>
- As a Malaysian, (I) think it does not matter if we achieve a developed nation status successfully by 2020 unless we realize that the norm values among Malaysians, namely understanding and helping each other are more important in order to maintain and remain prosperous in the country forever.
- More caring, giving and taking.
- Malaysians should make their hearts as nice as good-hearted people.
- Everybody should support whatever has been done by Malaysia and think positive for every development.

FIGURE 2  
The Affinity Diagram of V-2020



Human Capital Development

- HC<sub>1</sub>: Develop more skilled workforce
- HC<sub>2</sub>: Develop right attitude among citizens
- HC<sub>3</sub>: Develop a morally upright society
- HC<sub>4</sub>: Malaysians should seek more knowledge and education
- HC<sub>5</sub>: People should possess more positive values such as punctuality, discipline, and commitment
- HC<sub>6</sub>: Open Malaysian mind to accept others' ideas and thinking

Quality of Life

- QL<sub>1</sub>: Develop rural areas
- QL<sub>2</sub>: Improve public transportation including road infrastructure
- QL<sub>3</sub>: Improve public health-care facilities
- QL<sub>4</sub>: Improve telecommunication system

R&D

- RD<sub>1</sub>: R&D in critical sectors in agriculture and industry
- RD<sub>2</sub>: Invite more scholars (from overseas) to contribute in R&D
- RD<sub>3</sub>: Recognize and encourage research in universities
- RD<sub>4</sub>: Provide enough funds for R&D in technological areas and new product development

Social Life

- SL<sub>1</sub>: Crime prevention
- SL<sub>2</sub>: Educate citizens to be more civic-conscious
- SL<sub>3</sub>: Inculcate sharing and caring culture in the society
- SL<sub>4</sub>: More freedom and no racism

Technology

- TE<sub>1</sub>: Develop knowledge-based society
- TE<sub>2</sub>: Strong support for scientific development
- TE<sub>3</sub>: Import expertise and technology from abroad
- TE<sub>4</sub>: Achieve technology mastery

Unbiased Practice

- UP<sub>1</sub>: Punishment for wrong doers regardless of their political or racial affiliation
- UP<sub>2</sub>: Involvement of all races in governmental decision making bodies
- UP<sub>3</sub>: Ensure all ethnic groups are equally treated
- UP<sub>4</sub>: Mutual help and cooperation among all Malaysians; no discrimination on the basis of race or religion

Unity

- UN<sub>1</sub>: Politicians should refrain from making ethnically discriminatory remarks
- UN<sub>2</sub>: Enhance national unity by eliminating ethnic discrimination
- UN<sub>3</sub>: Improve racial understanding and tolerance

In order to prioritize the items within a category of the affinity diagram, AHP, which is independent of the frequency of the items obtained from the respondents, has been applied. The AHP prioritization process is considered a viable alternative to the frequency distribution as it is more focused and provides the relative standings of all the items belonging to a particular category in the affinity diagram by means of pair wise comparisons. Further, AHP is more elaborate and enriching, despite its being a time-consuming analytical process to gauge the respondents' viewpoints.

The prioritization process is applied in each category of the affinity diagram with the help of five experts (two academicians, two civil servants and one business man). The geometric mean aggregated prioritization matrices are formed and the numbers are maintained in the range (1/9, 9) by considering the nearest approximation of the respective geometric means. A set of sample AHP pairwise comparison matrices and the priorities of the items under each category are shown in Figure 3 and Table 9, respectively.

From the prioritization exercise, we identify the most important suggestions (selected only the first and second rank holders) under each category and these are shown below:

- Remove corrupt leaders (CO<sub>1</sub>)
- Eradicate corrupt practices (CO<sub>2</sub>)
- Eliminate poverty (EC<sub>3</sub>)
- Zero unemployment (EC<sub>4</sub>)
- Ensure that the programs offered in the public and private universities are in the line with market needs (ED<sub>1</sub>)
- Develop excellent universities (ED<sub>6</sub>)
- Develop without destroying the environment (EN<sub>2</sub>)
- Press freedom (FE<sub>1</sub>)
- Elect morally upright leaders in the government (GR<sub>6</sub>)
- Strong government with integrity and good governance (GR<sub>1</sub>)
- Develop morally upright society (HC<sub>3</sub>)
- Develop right attitude among citizens (HC<sub>2</sub>)
- Develop rural areas (QL<sub>1</sub>)
- Improve public health-care facilities (QL<sub>3</sub>)
- R&D in critical sectors in agriculture and industry (RD<sub>1</sub>)
- Recognize and encourage research in universities (RD<sub>3</sub>)
- Crime prevention (SL<sub>1</sub>)
- Develop knowledge-based society (TE<sub>1</sub>)
- Achieve technology mastery (TE<sub>4</sub>)
- Ensure that all ethnic groups are equally treated (UP<sub>3</sub>)
- Enhance national unity by eliminating discrimination (UN<sub>2</sub>)



Providing detailed accounts of all of the above suggestions is beyond the scope of this paper. Nevertheless, brief discussions on some of these are provided in Section 6.

## 6. RELATIONSHIP BETWEEN THE V-2020 CHALLENGES AND VARIOUS CATEGORIES OF SUGGESTIONS

In this section, we find out the strength of linkage between the various categories of suggestions and the various challenges of V-2020. This requires construction of a diagram that resembles house of quality (HoQ) in quality function deployment framework (Akao, 1990; Bossert, 1991). The diagram (which was developed with the involvement of the same people who took part in the prior AHP exercise) has been shown in Figure 4. Following the usual architecture of house of quality, we place the nine challenges (known as ‘Whats’) in the left part and the categories (known as ‘Hows’) in the top position of the diagram. The importance of the ‘Whats’ are put in the second last column. The main body of the HoQ diagram has been filled up by ascertaining the relationship between challenges and the categories. We have used the following weighting scheme to represent the relationship:

Relationship	Symbol	Weight
Very strong	■	9
Strong	·	6
Medium	○	3
Weak	◦	1

The weights of the categories are determined by using the QFD formula:

$$r_j = \sum_{i=1}^9 c_i d_{ij}$$

where  $r_j$  = weight of the  $j^{\text{th}}$  category;  $j = 1,2, \dots, 20$ ;  $c_i$  = weight of the  $i^{\text{th}}$  challenge;  $i = 1,2, \dots, 9$ ;  $d_{ij}$  = strength of relationship between  $i^{\text{th}}$  challenge and  $j^{\text{th}}$  category of items;  $i = 1,2, \dots, 9$  and  $j = 1,2, \dots, 20$ .

The exercise provides the weights and hence the ranking (see second last row) of the categories of suggestions. The most important five categories are found to be:

- Government Responsibility
- Education

- Unity
- Spiritual Life
- Social Life

It should be noted that the category 'Spiritual Life' belongs to the set of the top five categories. This should not come as a surprise as it strongly related with three of the nine challenges ( $C_1$ ,  $C_4$ , and  $C_7$ ). Combining the results of the QFD and AHP exercises, we can recommend the following list of actions in order of priority to the relevant policy makers of the government of Malaysia:

- Elect morally upright leaders in the government.
- Strong government with integrity and good governance.
- Ensure that the programs offered in the public and private universities are in the line with market need.
- Develop excellent universities.
- Enhance national unity by eliminating discrimination.
- Enhance spiritual life of the public.
- Crime prevention.
- Ensure that all ethnic groups are equally treated.
- Strengthen family institution.
- Total involvement of everybody in the country to achieve the vision.
- Develop morally upright society.
- Develop right attitude among citizens.
- Uphold ethics and promote ethical behaviour in the society.
- Eliminate poverty.
- Zero unemployment.
- Remove corrupt leaders.
- Eradicate corrupt practices.
- Balanced development.
- Public awareness programs on V-2020.
- Press freedom.
- Develop rural areas.
- Improve public healthcare facilities.
- R&D in critical sectors in agriculture and industry.
- Recognize and encourage research in universities.
- Develop knowledge-based society.
- Achieve technology mastery.
- Benchmark with developed countries.
- Develop without destroying the environment.

FIGURE 3  
A Sample of Completed AHP Pairwise Comparison Matrices

	CO <sub>1</sub>	CO <sub>2</sub>	CO <sub>3</sub>	CO <sub>4</sub>
CO <sub>1</sub>	1	4	5	7
CO <sub>2</sub>		1	4	3
CO <sub>3</sub>			1	4
CO <sub>4</sub>				1

	EC <sub>1</sub>	EC <sub>2</sub>	EC <sub>3</sub>	EC <sub>4</sub>	EC <sub>5</sub>
EC <sub>1</sub>	1	5	1/4	1	1/2
EC <sub>2</sub>		1	1/6	1/5	1/3
EC <sub>3</sub>			1	3	4
EC <sub>4</sub>				1	3
EC <sub>5</sub>					1

	ED <sub>1</sub>	ED <sub>2</sub>	ED <sub>3</sub>	ED <sub>4</sub>	ED <sub>5</sub>	ED <sub>6</sub>	ED <sub>7</sub>
ED <sub>1</sub>	1	3	4	3	5	1	3
ED <sub>2</sub>		1	1/2	1/3	1	1/4	1/2
ED <sub>3</sub>			1	1/2	5	1/3	1
ED <sub>4</sub>				1	3	1	1
ED <sub>5</sub>					1	1/5	1/4
ED <sub>6</sub>						1	2
ED <sub>7</sub>							1

	EN <sub>1</sub>	EN <sub>2</sub>
EN <sub>1</sub>	1	1/4
EN <sub>2</sub>		1

	FE <sub>1</sub>	FE <sub>2</sub>
FE <sub>1</sub>	1	3
FE <sub>2</sub>		1

FIGURE 3 (Continued)  
A Sample of Completed AHP Pairwise Comparison Matrices

GR <sub>1</sub>	GR <sub>2</sub>	GR <sub>3</sub>	GR <sub>4</sub>	GR <sub>5</sub>	GR <sub>6</sub>	GR <sub>7</sub>	GR <sub>8</sub>	GR <sub>9</sub>	HC <sub>1</sub>	HC <sub>2</sub>	HC <sub>3</sub>	HC <sub>4</sub>	HC <sub>5</sub>	HC <sub>6</sub>
1	5	4	5	7	1/3	2	2	2	1	1/5	1/5	3	1/4	2
GR <sub>2</sub>	1	1/3	3	1	1/5	1/2	1/2	1/2	1	1	1	5	1	5
GR <sub>3</sub>		1	3	3	1/4	3	2	2	1	1	1	5	2	5
GR <sub>4</sub>			1	1/3	1/7	1/2	1	1	1/4	1/4	1	1	1/4	2
GR <sub>5</sub>				1	1/7	1/2	1	1	1	1	1	1	1	5
GR <sub>6</sub>					1	5	5	5	1	1	1	1	1	5
GR <sub>7</sub>						1	1/2	1/2						1
GR <sub>8</sub>							1	1						1
GR <sub>9</sub>								1						1

QL <sub>1</sub>	QL <sub>2</sub>	QL <sub>3</sub>	QL <sub>4</sub>	RD <sub>1</sub>	RD <sub>2</sub>	RD <sub>3</sub>	RD <sub>4</sub>
1	2	2	2	1	4	3	3
QL <sub>2</sub>	1	1/2	3		1	1/3	1/3
QL <sub>3</sub>		1	3			1	3
QL <sub>4</sub>			1				1

SL <sub>1</sub>	SL <sub>2</sub>	SL <sub>3</sub>	SL <sub>4</sub>	TE <sub>1</sub>	TE <sub>2</sub>	TE <sub>3</sub>	TE <sub>4</sub>
1	7	8	9	1	3	4	1
SL <sub>2</sub>	1	1/3	2		1	3	1
SL <sub>3</sub>		1	3			1	1/4
SL <sub>4</sub>			1				1

UP <sub>1</sub>	UP <sub>2</sub>	UP <sub>3</sub>	UP <sub>4</sub>	UN <sub>1</sub>	UN <sub>2</sub>	UN <sub>3</sub>
1	1/3	1/4	1	1	1	2
UP <sub>2</sub>	1	1/3	1/2		1	4
UP <sub>3</sub>		1	5			1
UP <sub>4</sub>			1			1

TABLE 9  
 Priorities of the items in each category of the affinity diagram

Category	Items	Priorities	Consistency Ratio	Category	Items	Priorities	Consistency Ratio
Corruption	CO <sub>1</sub>	0.583	0.14	Economy	EC <sub>1</sub>	0.142	0.08
	CO <sub>2</sub>	0.238			EC <sub>2</sub>	0.044	
	CO <sub>3</sub>	0.121			EC <sub>3</sub>	0.463	
	CO <sub>4</sub>	0.057			EC <sub>4</sub>	0.213	
					EC <sub>5</sub>	0.138	
Education	ED <sub>1</sub>	0.294	0.04	Government Responsibility	GR <sub>1</sub>	0.224	0.07
	ED <sub>2</sub>	0.057			GR <sub>2</sub>	0.052	
	ED <sub>3</sub>	0.106			GR <sub>3</sub>	0.123	
	ED <sub>4</sub>	0.152			GR <sub>4</sub>	0.037	
	ED <sub>5</sub>	0.042			GR <sub>5</sub>	0.052	
	ED <sub>6</sub>	0.229			GR <sub>6</sub>	0.364	
	ED <sub>7</sub>	0.120			GR <sub>7</sub>	0.072	
					GR <sub>8</sub>	0.076	
Environment	EN1	0.200	0.00	Freedom of Expression	FE <sub>1</sub>	0.750	0.00
	EN2	0.800			FE <sub>2</sub>	0.250	
Human Capital Development	HC <sub>1</sub>	0.082	0.04	Quality of Life	QL <sub>1</sub>	0.383	0.08
	HC <sub>2</sub>	0.276			QL <sub>2</sub>	0.210	
	HC <sub>3</sub>	0.313			QL <sub>3</sub>	0.295	
	HC <sub>4</sub>	0.055			QL <sub>4</sub>	0.112	
	HC <sub>5</sub>	0.229					
	HC <sub>6</sub>	0.044					
R&D	RD <sub>1</sub>	0.494	0.09	Social Life	SL <sub>1</sub>	0.713	0.09
	RD <sub>2</sub>	0.082			SL <sub>2</sub>	0.059	
	RD <sub>3</sub>	0.270			SL <sub>3</sub>	0.152	
	RD <sub>4</sub>	0.154			SL <sub>4</sub>	0.076	
Technology	TE <sub>1</sub>	0.405	0.05	Unbiased Practice	UP <sub>1</sub>	0.109	0.13
	TE <sub>2</sub>	0.216			UP <sub>2</sub>	0.177	
	TE <sub>3</sub>	0.079			UP <sub>3</sub>	0.543	
	TE <sub>4</sub>	0.300			UP <sub>4</sub>	0.171	
Unity	UN1	0.376	0.05				
	UN2	0.474					
	UN3	0.149					

FIGURE 4  
The QFD Diagram for Malaysian Vision 2020

		Standard: 9-6-3-1																					
		Very Strong ▣	9																				
		Strong ●	6																				
		Medium ○	3																				
		Weak ◦	1																				
Row Number		Column Number																					
C1		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Importance of the WHATs	Row Number
Establishing a united Malaysian nation		1		○	●		●			●	○	▣	●	●			●	●		▣	▣	0.178	1
Creating a psychologically liberated, secure, and developed Malaysian society		2				○	●		○		○	●	○		○	○		○	○		○	0.156	2
Developing a mature democratic society		3		○							▣	●		○					●		○	0.133	3
Forming a community that has high morale, ethics, and religious strength		4	●	○	▣	●	▣		▣	▣		●	●	●			▣	▣		○		0.200	4
Establishing a mature, liberal and tolerant society		5	●	○	○	○	○		○	○	○	○	○	○	○	○	○	○	○		●	0.089	5
Establishing a scientific and progressive society		6	○	▣		○	●	○				▣			●	▣		▣		▣		0.044	6
Establishing a fully caring society		7	○		○		○		○	○	○		○	●			▣	●		○	○	0.022	7
Ensuring an economically just society		8	○						○			●					○			●	○	0.111	8
Establishing a prosperous society		9	○		○	○	○	○	○	○	○	○	○	○	●	●			○	○	●	0.067	9
Weight of HOWs		2.110	1.063	2.068	2.134	2.268	4.823	0.199	2.423	3.268	1.932	6.066	3.136	3.267	1.401	1.266	3.444	3.49	1.065	3.377	3.582		
Ranking of HOWs		13	19	14	12	11	2	20	10	7	15	1	9	8	16	17	5	4	18	6	3		
Column Number		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		

Further, it is to be noted that the factors related with Economy, R&D, Technology have not received higher priorities. This is because in terms of importance, the nine challenges of V-2020 are skewed towards the moral development of the society rather than its materialistic development.

## 7. DISCUSSION ON SOME SELECTED CATEGORIES OF THE AFFINITY DIAGRAM

The affinity diagram shown in Figure 2 consists of 57 distinct items belonging to 13 categories. Space limitation made it prudent to highlight only selected categories; providing a full-length discussion of all the categories is deemed prohibitive.

**Elimination of Corruption:** Through empirical investigation, Strauss (2001) finds that corruption affects growth and government efficiency in developing countries. Mauro (1995) also found corruption as a robust negative determinant of investment, which in turn has negative implication for the rate of growth in the economy.

Since 1995, Transparency International has been publishing an annual Corruption Perception Index (CPI) that ranks the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians. The organization defines corruption as ‘the abuse of entrusted power for private gain’. However, what is legally defined to be corruption differs between jurisdictions: a political donation legal in some jurisdiction may be illegal in another; a matter viewed as acceptable tipping in one country may be construed as bribery in another. The 2008 Transparency International poll covered over 180 countries. A higher CPI means less (perceived) corruption. According to the CPI, Malaysia’s rank in 2008 is 47<sup>th</sup> in the world. This shows Malaysia has ample room for improving public perception about corruption. In fact, people have been highly vocal against corruption of any kind in the government machinery.

**Eradication of Poverty:** Poverty eradication must be the first step in the larger effort to address disparities in the socio-economic achievements of the country. Malaysia’s present poverty eradication strategies include, among others, increasing public healthcare to spur productivity and reduce absenteeism, providing housing, cooperation with non-governmental organizations to improve the environment and living conditions. Under the present Ninth Malaysian Plan, the government is enhancing the micro-credit program called the *Amanah Ikhtiar Malaysia* and various capacity building

programs to ensure their effectiveness in lifting households out of poverty. The government also wants to reduce rural-urban income ratio from 1:2.11 in 2004 to 1:2.0 by 2010.

According to Mahathir, no one is against the eradication of absolute poverty regardless of race, and irrespective of geographical location. All Malaysians, whether they live in the rural or the urban areas, must be moved above the line of absolute poverty.

**Developing Human Capital:** It is the human resource that is the most vital for achieving V-2020. A country may be developed materialistically, but if its human resources are kept at bay, then it is unlikely to sustain the economic development. The same concern was communicated by numerous people when we embarked upon the task of data collection. Human capital has bearing on many aspects including public delivery or civil service. In fact, civil servants have emphatic role in achieving V-2020. To bring smoothness in public administration, bureaucracy and bottlenecks must be removed. One respondent maintained: public delivery system needs to be improved in order to realize V-2020. V-2020 requires complete public readiness to embrace the necessary changes and to do so it is imperative for a quantum leap towards human resource development. Citing Japan, Switzerland and South Korea, Abdullah (1993) says these countries do not have minerals and the climate, land structure and soil are not conducive to agriculture. Yet these countries have achieved spectacular economic growth on the strength and ingenuity of their human resources.

**National Unity:** According to the former PM, Tun Dr. Mahathir Mohamad, the most important among all challenges is ensuring a united Malaysian nation (Mohamad, 1991):

“But it would be surprising if the first strategic challenge which I have mentioned the establishment of a united Malaysian nation is not likely to be the most fundamental, the most basic.”

The present Malaysian Premier, Dato' Seri Najib Tun Razak, said:

“Racial and religious differences, skin color and cultures should not be obstacles to unity, as, in principle, all races had the same aims and desires in life,” (Sennyah and Sharmini, 2005).

For the remaining categories (other than those included in the affinity diagram), though apparently there are many suggestions, but basically they augur the same issue. Therefore, these suggestions are not itemized as the categories



put in the affinity diagram; in other words, we have only one item under this type of category. This item has been expressed by different respondents in different ways. In the following we discuss this type of single item categories.

## 8. SINGLE ITEM CATEGORIES

Normally, a category of an affinity diagram contains more than one item. However, since the categories to be discussed in this section contain only one item, they are not included in the affinity diagram. In addition to the multiple-item categories incorporated into the affinity diagram, these single item categories also reflect the views of the respondents for the realization of the objectives of V-2020.

**Balanced Development:** A country which is developed in only one dimension, e.g., economy, may not be called a developed nation as indicated in the statement of V-2020 (Section 1). The country needs to be developed multilaterally. This was echoed by the following messages from the respondents. As shown, the messages are essentially the same; only the words used are altered for greater sentence cohesiveness.

- In my opinion, development that we, Malaysians should have must be balanced in all aspects of life: morally, intellectually, economically, spiritually, socially and politically.
- A more comprehensive meaning of developed nation rather than focusing on material/physical development but intellectual, moral and spiritual as well.
- The parameter and definition of development need to be ascertained. Development is a holistic concept. Infrastructural development alone at the expense of moral, ethical, and social developments may not be a development in the true sense of the term. As such competing to stay at development stage must not ignore the social engineering of the society on moral and spiritual bases. Otherwise development for the sake of development without adequate moral and spiritual bases to cushion the shocks of physical development may merely lead to devil-umpment (and not development)!
- Not focused on one area only – must be balanced in all areas.

**Public Responsibility:** The responsibility of realizing V-2020 is not solely assigned to the government or a few individuals, rather every citizen of the nation has a stake towards this achievement. This has been articulated by the respondents in a manifold ways:

- Everybody has to play a role in achieving the developed nation status.
- Malaysians must support all the initiatives taken by the government and new policies promulgated by it.
- Every citizen should change his or her attitude and mentality to achieve V-2020.
- If Malaysia does not achieve the status of developed nation by the year 2020, everybody should triple up efforts to achieve the targets.

**Communication:** As mentioned before, achievement of the national vision cannot be the responsibility of a certain number of individuals; it is the responsibility of all the people. Therefore, a nationwide awareness about V-2020 is a must. This matter has been articulated by the people in the following ways:

- Create awareness in the Malaysian society about how important V-2020 is.
- To educate Malaysians more about the V-2020 nine challenges.
- I think the government should educate the public regarding the status of achievement of V-2020.

**Ethics:** Regarding ethics, overall, the people's voice is that if the citizens do not behave ethically or morally, then mere materialistic development has no meaning. Ethical dimension of the society has been encapsulated by the following suggestions:

- Ethical dimension should be progressively addressed, tackled and solved. Unless this aspect of morality is not solved, achievement in other aspects is virtually not possible.
- We should establish a fully moral and ethical society before we achieve a developed nation.
- First and foremost, Malaysians should be aware that in order to develop a nation, they must develop themselves with strong moral and ethical values.
- Society has to change its way of thinking, be more open minded, work honest and fair.

**Family Institution:** Many people have re-emphasized the proverb 'Charity begins at home'. Children must be guided right from the beginning about the ethics and morality and parents have a great role in this regard. Right attitude and integrity in the early stage pave the way for becoming a good citizen in future. This matter has been expressed by the following suggestions:

- To strengthen the family leadership.
- Honor family institution. Do not put parents in the condition where they have to work until they leave their children at the hand of foreigners (foreign maids). If family intuition is honored, country will also follow suit.
- Try to develop and nurture the children from the beginning with high ethical and moral values.
- Teaching moral values to the kids right from early stage.

**Benchmarking:** Benchmarking is a management practice used for achieving radical change in some particular area. In the business context, organizations benchmark others to improve their business processes. There are numerous examples of successful benchmarking exercises (Andersen, Henriksen and Spjelkavik, 2008; Fawcett et al., 2009). In the national level too, similar exercises can be conducted. For example, Malaysia can learn from Japan regarding how the country maintains its environment and ecosystem while being engaged in developmental activities. What are the strategies of Japan in R&D, transportation, public health, education, etc? Malaysia can learn from all these. A number of respondents have supported this idea:

- To follow in the footsteps of Japan and Korea in becoming developed nations.
- Collaboration with developed countries.

**Spiritual Development:** In general, Malaysians are religious minded and they like to see the spiritual development has taken place in the minds of all Malaysians in tandem with the socio-economic development in the country. A large number of Malaysians' views is that materialistic development has no meaning if there is no mental peace among them! D.M. (full name is not revealed in the newspaper) wrote in the Readers column of the New Straits Times (June 25, 2009, 19)

“... true morality can only be derived from religion, which clearly explains the proper and moral behaviour towards God, oneself, and all other human beings. Leaders should not be afraid to talk about religion and the necessity for people to be well-versed in the tenets of their religion. Academic knowledge and learning from experience are no longer sufficient for individuals to solve the many problems life presents. The only hope is to be found in the realm of religion. Parents, first of all, and then educators, should give religion a role of utmost importance, for certainly no one in the future can be civil, moral and a winner unless he knows his religion’.

On the issue of curbing AIDS, Marisa Demori wrote in the Readers column in the New Straits Times (June 26, 2009, 22):

“The government will not be able contain and reduce the incidence of this deadly disease unless it takes steps to create a society that is more religious and God-conscious. ... the government must introduce religious awareness so that youth can find true hope. ... economic objectives have taken priority over religious obligations and the law of God. Unless something is done quickly, we cannot expect things to improve. The leaders of the various communities should remind their followers to learn the tenets of their religion and abide by them. ..The problems society is facing are directly connected to the fact that people have forgotten God and His laws, laws which can only be broken at the expense of great suffering for mankind.”

The following suggestions are examples of some of our respondents' aspirations of dealing with a developed religious life:

- No matter how developed our country is, the development of spiritual and mental is very important.
- Strengthen the spiritual side first.
- Material development must be complemented with social and spiritual development. More emphasis should be placed to social development and also to spiritual development.

## 9. CONCLUSION

Achieving the status of a developed country is a common vision to many developing nations. Countries like India and Malaysia have even set up a specific timeline (which is 2020 AD) to reach at the milestone. The present research is carried out to gauge the progress made to achieve Malaysian V-2020. On the basis of people's feedback and the QFD and AHP joint exercise, a number of recommendations are also put forward. In general, people of the nation feel that many more things need to be done before Malaysia can declare herself a developed nation. It is not only in economical aspect, but also the country needs to pay serious attention to human resource development – especially prevention of crime and corruption from all levels of the greater society. In fact, from the ranks of the challenges, the most crucial one is found to be 'Establishing a fully moral and ethical society'. The survey respondents suggested that the government should play a dual role –

in one hand, the government should play its traditional role in strengthening the economy, ensuring quality education to its people and maintain law and order, on the other hand, it should make the people ready to face the challenges ahead and take the necessary steps to address them successfully.

Since Malaysia is a multi-racial country, statistical tests have been performed with respect to the various demographic factors including race. Overall, the respondents on the basis of gender, age, marital status and employment status are consistent in their views. However, a number of differences were found for various races and education levels while ranking the challenges of V-2020. Future research can be conducted on the detailed areas where and why the respondents differ.

### ACKNOWLEDGEMENT

The authors are thankful to the anonymous referees for their insightful comments that have helped enhance the quality of the paper.

### ENDNOTES

1. The term ‘developed country’ is used to categorize countries with developed economies in which the tertiary and quaternary sectors of industry dominate. This level of economic development usually translates into a high per capita income and a high Human Development Index. World Bank defines high income countries as countries with per capita GNP of \$10,000 or more. Traditionally, Canada and the United States in North America, Japan in Asia, Australia and New Zealand in Oceania, and most countries in Northern Europe and Western Europe have been considered as developed countries. Despite their high per capita GNP, the GCC countries in the Middle East are generally not considered developed countries because their economies depend overwhelmingly on oil production and export.

2. Generally speaking, a nation is said to be developed if it has well-developed political, economic, physical, educational and infrastructural institutions in place and every citizen, irrespective of his/her class, gender, or birth enjoys the confidence to live his/her life by choice and not by imposition from any sector, provided such liberty is within the accepted moral norms of the society, without fear or inhibition of any kind or from any quarter. Developed countries have low level of illiteracy, poverty, infrastructural deficiencies, social imbalances, bureaucratic and political bottlenecks, etc and work in

cohesion and unison in one voice and dictum and achieves as a result, the highest in the fields of science, and discoveries, at any given point of time and leads the field with highly developed systems in the area of law, justice and social retribution.

3. Speech delivered by Tun Abdul Ghafar Baba at the opening ceremony of National Seminar Towards a Developed and Industrialized Society: Understanding of the Concepts, Implications and Challenges of Vision 2020, Kuala Lumpur, 5-7 December, 1991.

4. Staff Reporter (2005), 'Selangor developed state: Did you know?', *New Straits Times*, August 27.

5. While articulating the suggestions, all the respondents have not followed the grammatical rules strictly. We have presented the suggestions as articulated by the respondents.

#### REFERENCES

- Abdullah, O.Y. "Human Resource Development: The Key towards a Developed and Industrialized Society." In *Malaysia's Vision 2020: Understanding the Concept, Implications and Challenge*, edited by A.S.A. Sarji , 315-326. Kuala Lumpur: Pelanduk Publications, 1993.
- Akao, Y. *Quality Function Deployment: Integrating Customer Requirements into Product Design*. New York: Productivity Press, 1990.
- B. Andersen, B., Henriksen and I. Spjelkavik, "Benchmarking Applications in Public Sector Principal-agent Relationships." *Benchmarking: An International Journal* 15, no. 6 (2008): 723-41.
- Bossert, J.L. *Quality Function Deployment: A Practitioner's Approach*. Milwaukee: ASQC Quality Press, 1991.
- Fawcett, S.E., C. Wallin, , C. Allred, , and G. Magnan, "Supply Chain Information Sharing: Benchmarking a Proven Path." *Benchmarking: An International Journal* 16, no. 2 (2009): 222-46.
- Islam, R. "Prioritization of Ideas in an Affinity Diagram by AHP: An Example of K-economy." *IJUM Journal of Economics and Management* 13, no. 2 (2005): 71-108.
- Kassim, M.S.M. "Vision 2020: Its Linkages with the Sixth Malaysian Plan and the Second Outline Perspective Plan." In *Malaysia's Vision 2020: Understanding the Concept, Implications and Challenges*, edited by A.S.A. Sarji , 67-87. Kuala Lumpur: Pelanduk Publications, 1993.

- Mauro, P. "Corruption and Growth." *Quarterly Journal of Economics*. CX(442) (1995): 681-712.
- Mohamad, M. "The Way Forward: Vision 2020." www.epu.jpm.my, 1991. Accessed on April 28, 2008.
- Rahman, O.A. "Industrial Targets of Vision 2020: The Science and Technology Perspective." In *Malaysia's Vision 2020: Understanding the Concept, Implications and Challenges*, edited by A.S.A. Sarji, 271-299. Kuala Lumpur: Pelanduk Publications, 1993.
- Razak, N.T. "1 Malaysia." www.1malaysia.com.my 2009. Accessed on April 15, 2009.
- Saaty, T.L. *Theory and Applications of the Analytic Network Process: Decision Making with Benefits, Opportunities, Costs, and Risk.*, Pittsburgh: RWS Publications, 2005.
- Sarji, A. *Malaysia's Vision 2020: Understanding the Concept, Implications and Challenges*. Kuala Lumpur: Pelanduk Publications, Kuala Lumpur, 1993.
- . *Civil Service Reforms towards Malaysian's Vision 2020*. Kuala Lumpur: Pelanduk Publications, 1996.
- Sennyah, P., and P. Sharmini, "Go for Lifelong Education." *New Straits Times*, May 17, 2005.
- Strauss, T. "Growth and Government: Is There a Difference between Developed and Developing Countries?" *Economics of Governance* 2 (2001): 135-57.
- Yeoh, M. *Management Strategies for Vision 2020: Developing Competitive Strategies for the Winning Edge*. Kuala Lumpur: Pelanduk Publications, 1993.







## **POSITIVE DEVIANCE AND ISLAMIC LEADERSHIP**

Rodrigue Fontaine

*Department Business Administration, International Islamic University Malaysia, P.O. Box 10, 50728 Kuala Lumpur, Malaysia (Email: ridhwan\_fontaine@iiium.edu.my)*

---

### ABSTRACT

This study investigates whether positive deviance can become a tool to promote leadership from an Islamic perspective. This study offers a brief review of the literature on leadership, the link between perception and leadership and leadership from an Islamic perspective. In particular, attention is drawn to the work of Beekun and Badawi (1999) in the area of leadership from an Islamic perspective. This author suggests that practitioners find it difficult to implement principles of Islamic leadership because they lack specific management tools. By reviewing the literature, this author has identified positive deviance as a management tool for leaders to challenge and change the collective perceptions of followers. Within this context, the positive deviance methodology fits in remarkably well with the framework proposed by Beekun and Badawi (1999). The suitability of positive deviance as a tool for Islamic leaders is explored.

JEL Classification: M10

Key words: Perception, Leadership, Islamic leadership, Training

---

### 1. BACKGROUND

The literature on Management from an Islamic perspective has grown by leaps and bounds. In particular, the area of Islamic leadership has received much attention. This author is particularly interested in the work of Beekun and Badawi (1999). They say that Islamic leadership is the “ability to see beyond assumed

boundaries and to come up with solutions that few can visualize. The leader must then project this vision for everyone to see and pursue.” Although the theoretical understanding of Islamic leadership has improved dramatically over the last three decades, the practice of Islamic leadership seems not to have made much progress. No systematic research has been undertaken to justify this statement but when this author discusses Islamic leadership with Muslim managers and leaders in Malaysia, they often say, “this work in Islamic leadership is interesting but too theoretical. Unless we have access to specific tools, we cannot put this into practice.” This author believes that these practitioners have a valid point that needs to be seriously addressed by Muslim scholars of management. If not, Islamic leadership – like any branch of management from an Islamic perspective – runs the risk of being perceived as a purely intellectual exercise that Muslim academics play in their ivory towers.

There exist many management tools that help leaders in many aspects of their work. These tools range from ‘personal tools’ – like setting goals and managing time – to ‘organizational tools’. Many organizational tools are well known – such as the balanced score card, quality improvement techniques and so forth – whereas other tools are less well known. One of these less known tools is a management tool called ‘positive deviance’. Positive deviance is a change management that is useful to challenge the collective perception that exists within a community or an organization. A successful positive deviance project leads to a change of the collective perception and a long lasting change to a specific part of the culture.

## 2. AIM OF THIS STUDY

This study builds on the work of Beekun and Badawi (1999) on Islamic leadership. As changing the collective perception and behavior of followers is arguably a critical issue in leadership, this study discusses on whether positive deviance is a practical tool for Muslim leaders in developing the practice of Islamic leadership.

## 3. THEORIES OF LEADERSHIP

There are many definitions and theories of leadership. Wren (1994, 387) notes that there have been “thousands of studies, with a disparity of approaches, a proliferation of confusing terms, a high percentage of irrelevant or trivial studies and the absence of an integrating conceptual framework.” Due to space limitation, much of the background literature on leadership will be

ignored, including the problem of defining leadership. Generally though, there is an agreement that

- a. Leaders have certain values that set them apart from others
- b. Leaders have an accurate and realistic perception of the present
- c. Leaders have an inspiring, optimistic vision of the future
- d. Leaders communicate that vision to others
- e. Leaders inspire others to change

The fact that leaders are individuals who inspire others to change is something that is well understood (Kotter, 1998). However, the link between perception and leadership is well less understood. Many existing theories of leadership do not explicitly address the role of perception in leadership. There are exceptions of course. For example, Lord and Maher (1993) build their theory of leadership around social perception. They even define leadership as “*the process of being perceived by others as a leader.*” Other scholars emphasize that errors of perceptions lead to a misunderstanding of cause and effect (Argyris, 1985, Senge, 1990, Ackoff, 1999). Another exception is Beekun and Badawi (1999) who define leadership as “*the ability to see beyond assumed boundaries and come up with solutions that few can visualize.*” They say that Muslim leaders should use “multiple frames” and that “*an effective leader adjusts his sense when what he perceives does not make sense*” (Beekun and Badawi, 1999, 105). Beekun and Badawi’s (1999) emphasis on perception is very important as the perceptual process is a core personal construct. Luthans (2011, 135), for example, writes,

“Another important cognitive, personal construct is one’s perceptual process. The key to understanding perception is to recognize that it is a unique interpretation of the situation, not an exact recording of it.”

In other words, a good leader has to make perceived reality accurately. Although it is tempting to say that some people perceive things rightly and others perceive things wrongly, it is probably more accurate to say that everybody has an incomplete perception of things. Reality is simply too complex for human beings to fully comprehend. Some people however make errors of perception that prevent them from solving their problems while others make errors of perception that does not prevent them from solving their problems. One fascinating area that has been extensively researched is the link between errors of perception and learned helplessness.

#### 4. ERRORS OF PERCEPTION AND LEARNED HELPLESSNESS

Recent development in cognitive psychology has shown that individuals have “two minds working semi-independently of one another” (Gardner, 2008, 32) The first – referred to as System 1 – is fast, unconscious and often uses heuristics to make decisions and act. The second – System 2 – is slow, conscious and validates the initial decisions made by System 1. Harvard psychologist Daniel Gilbert Gardner (2008, 34) concludes,

“One of psychology’s fundamental insights is that judgments are generally the products of non-conscious systems that operate quickly, on the basis of scant evidence, and in a routine manner, and then passes the hurried approximation to consciousness which slowly and deliberately adjusts them.”

Thus, many decisions leaders make are based on heuristics. Heuristics are rules of thumb that are often useful but sometimes lead people to make mistakes (Schermerhorn, 2010). Common heuristics include availability bias, representative bias, anchoring, framing errors, halo effect, affect bias and confirmation errors (Gardner, 2008). Heuristics is one way in which people make errors of perception. Over time though, individuals develop explanatory styles of what happens to them and why (Seligman, 2006). In particular, when people perceive that they have no control over events, they learn to be helpless. Learned helplessness is a situation when individuals are put in a situation where they have no control over their environment. In laboratory experiments, subjects were put in a situation where they had no control (phase one) and then control was given back to them (phase two). In phase one, they try to change their environment and fail. In phase two, they don’t even try to change their environment as they expect more failure. Generally, 70% of subjects develop learned helplessness. However, 30% of subjects routinely fail to develop learned helplessness. After careful research, Seligman and his colleagues concluded that individuals with an optimistic explanatory style do not develop learned helplessness.

Optimistic people are thus individuals who perceive bad events as being temporary and non-pervasive. They see a problem as being linked to inappropriate behavior. As behavior can be changed, optimistic people generally focus on changing behavior. Pessimistic people are individuals who perceive bad situations as being permanent and pervasive (Seligman, 2006). They often use words like “never” and “always” when describing their situation. They see a problem as being linked to a personality problem. As they believe that personalities are virtually impossible to change, they feel hopeless and helpless.

## 5. THEORIES OF ISLAMIC LEADERSHIP

To summarize this author's argument so far, most theories of leadership do not explicitly deal with the problem of perception, even though perception is at the heart of individual behavior. Apart from errors of perceptions related to heuristics, this author briefly looked at the link between errors of perception and learned helplessness. This author would now like to review some of the various theories of Islamic leadership that are found in management from an Islamic perspective literature.

The biggest concern Muslim scholars have towards western-based theories of leadership is that they reflect secular values and are incompatible with the Islamic values found in the *Qur'ān* and *Sunnah* (Ahmad, 2006; Ahmad and Fontaine, 2011). Hence, the critical argument in favor of the Islamization of knowledge of 'secular' disciplines like management. For example, Ahmad (2006, 175-79) writes,

“The Islamic concept of leadership is derived from the doctrine of Tawheed. . . The following elements are included in Islamic leadership: knowledge and hikmah, taqwa, 'adl (justice) and rahmah (compassion), courage and bravery, shura (mutual consultation), decisiveness, eloquence, a spirit of self-sacrifice and sabr (patience).”

A number of research on Islamic leadership have recently been published (Ahmad, 2007; Beekun, 2007; Beik and Arsyanti, 2007; Ismail and Ibrahim, 2007; and Randeree, 2007, among others). Unfortunately, few authors have proposed a comprehensive theory of Islamic leadership. One exception is Beekun and Badawi (1999). Beekun and Badawi (1999) propose the model of the five-pointed star. In the middle lies *īmān*, *islām*, *taqwā* and *ihsān* while each point of the star contains the branch of *amānah* (trust), 'adl (justice), *birr* (goodness), *ahd* (keeping promises) and *mujāhadah* (striving to continuously develop oneself). Beekun and Badawi (1999) stress that Muslim leaders have two key roles: to be a guardian-leader and to be a servant-leader. Beekun and Badawi argue that Muslim leaders have to understand their own behavior, the behavior of their followers and the situation in order to come up with appropriate solutions. To do this, leaders must reach out to everybody, welcome sinners and try to improve them and use insights (Beekun, 2008).

The understanding that leaders see things differently is echoed by other Muslim scholars in other Islamic disciplines. Al-Qardhawi (1991, 1996), for example, argues that Muslims cannot be successful until they “*understand the reality of the Ummah.*” This is not surprising as Muslim legal jurists define *fiqh* (the application of the *Qur'ān* and *Sunnah* to a specific situation) as the outcome of human understanding (*fahm*), perception (*tasawwur*) and cognition (*idrak*) (Auda, 2010, 193)

This author would like to discuss the problem of misreading reality by referring to the life of the Prophet (peace be upon him). Al-Mubarakpuri (1996) divides the Prophet's mission into six phases. The key phases in his mission to spread Islam are captured in Table 1. Clearly, the scholars of Islam have discussed the life of the Prophet (peace be upon him) in much detail. This author is interested in the Prophet's optimism. In the organizational behavior literature, optimism should not be confused with simply having a good view of the future. It is not a kind of blind false hope. Optimism is normally associated with how to deal with existing problems. Do we see them as temporary, specific and linked to inappropriate behavior or do we see them as permanent, pervasive and linked to issues of personality?

TABLE 1  
Summary of the Prophet's life

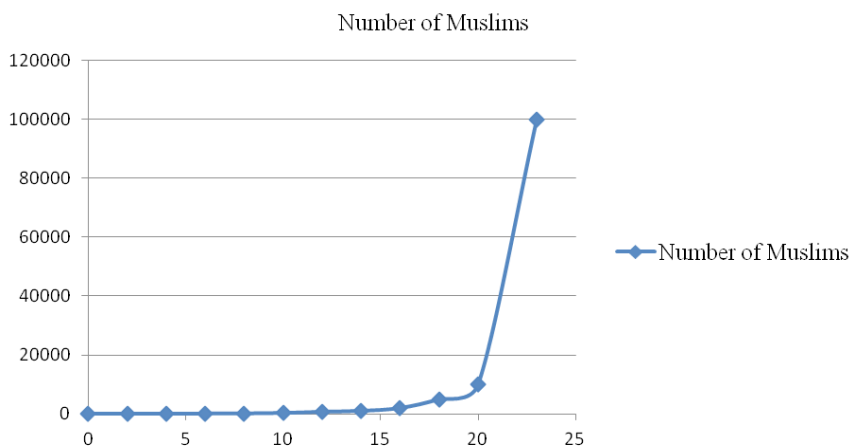
Periods	Situation
Meccan: Secret call (first 3 years)	Close friends accept the call easily. These new converts preach to others. The new religion cannot be kept secret.
Meccan: Open call in Makkah (4th year to 10th year)	The people of Mecca react by making life difficult for converts and by preventing him from preaching his message. Persecution starts. Some of the converts emigrate to Ethiopia. During the Hajj season, the Prophet preach to Arabs who arrive in Mecca but nobody responds.
Meccan: Open call beyond Makkah (10th year to 13th year)	During the Hajj in the 10 <sup>th</sup> year, some of the people of Medinah respond positively to Islam. First and second oath of 'Aqaba. The people from Medinah pledge to defend the prophet (peace be upon him) with their lives if necessary. Muslims start to emigrate to Medinah to establish an Islamic state. The Meccans will surely start a war and they are numerically superior.
Medinah: Internal and external hostility (14th year to 20th year)	A series of wars with the people of Mecca and some of the tribes of Medinah. The battle of Badr gives the Muslims credibility, which was threatened by the battle of Uhud. The hypocrites in Medinah and the Jews of Medinah secretly try to destroy Islam. Skirmishes continue throughout this period. The Treaty of Al-Hudaibiyah is signed.
Medinah: Truce with Makkah (20th year to 22nd year)	One by one, people from Mecca accept Islam. Eventually, Mecca is conquered by the Muslims with very little blood being shed. Muslims start to attract the attention of the Romans and the Persians.
Medinah: People from other parts of Arabia embrace Islam (final year)	For the Arabs outside of Mecca, the peaceful conquest of Makkah is a sign that the Prophet Muhammad (peace be upon him) is a real Prophet. An estimated 100,000 people convert in the last 18 months.

Source: Al Mubarakpuri (1996)

As Table 1 shows, the Prophet (peace be upon him) did not have an easy time. Although he had some early successes, he had to deal with

very harsh and very stubborn people in Mecca. Yet, the Prophet (peace be upon him) did not make any significant errors of perception. Although the majority of people rejected his message, the number of his followers increased steadily year but year. He could focus on what he had achieved and build upon that, or he could focus on how many people had not yet accepted Islam and become discouraged. It is easy to say that one should focus on our successes and build from that, but the reality is that 90% of people converted to Islam in the last 18 months of the Prophet's mission (see Figure 1). How many people could have the patience to struggle for twenty-two years before seeing the fruits of his or her effort?

FIGURE 1  
The Number of People Who Converted to Islam



Source: Al Mubarakpuri (1996)

Although Muslims often describe the Prophet (peace be upon him) as having an extremely high level of patience, Seligman (2006) would rather describe the Prophet (peace be upon him) of being an ‘optimist’. That is to say that he saw problems as temporary. It should be noted that research shows that very optimistic people tend to develop an unrealistic perspective of their situation whereas people who are mildly pessimistic tend to be more realistic about what they can and cannot do. Seligman (2006, 208) writes,

“While optimism has many virtues, pessimism has one virtue: supporting a keener sense of reality. Does learning the skills of optimism mean sacrificing realism? [The goal of this book] is not to [develop] an absolute, unconditional optimism to apply blindly in

all situations. [This book] offers a ‘flexible optimism’ which aims to give you control over the way you think about adversity but without becoming a slave to blind optimism.”

Using Seligman’s terminology, the Prophet (peace be upon him) was not simply an optimist but, more importantly, a flexible optimist. His optimism did not lead him to make errors of perceptions when assessing the situation he was facing.

This author believes that Beekun and Badawi’s (1999) model is sound. The next logical step for scholars of Islamic leadership is to train people so that Muslim leaders can apply these principles in their daily life. To his credit, Professor Beekun is currently doing that. He has developed a two-day course comprising eight modules. This is a critical development. This author assumes that Islamic leadership requires a cognitive component. This is the critical contribution of Beekun and Badawi. There must be an affective component. It is assumed that any sincere Muslim would love to lead others according to Islamic principles. However, there must be a behavioral component. It is necessary to develop the specific skills that relate directly to Beekun and Badawi’s model. In the jargon of corporate training, one needs to give people the right ‘tools’. Going back to the definition of Islamic leadership proposed by Beekun and Badawi (1999), there are two inter-related but distinct issues:

- a. How to ‘see’ things without making errors of perception
- b. How to help other people ‘see’ things without making errors of perception

By reviewing the literature, this author has been very intrigued by a technique called “positive deviance”. In the rest of this study, this author will explore how this technique works.

## 6. POSITIVE DEVIANCE IN ISLAMIC THEORETICAL FRAMEWORK

Most of the information about positive deviance is taken from [www.positivedeviance.org](http://www.positivedeviance.org). For convenience, this website will not be mentioned throughout the text.

In the early 1990s, Jerry Sternin was working for a charity trying to alleviate child malnutrition in Vietnam. Sternin observed selected Vietnamese villages. Although everybody was poor and most children were



malnourished, Sternin identified some families that were able to nourish their children even though they were as poor as their neighbors. This led Sternin to conclude that poverty was not the cause of malnutrition. Sternin realized that they did things differently but with a positive impact so he called them “positive deviants” (PD). For example, these PDs would collect shrimps in the paddy fields and use them as a nutritional supplement. PDs would have the same amount of rice as their neighbors but they would have several small meals a day instead of only one meal. Having identified the PDs and identified the behavior that could be transferred to the rest of the community, Sternin got the PDs to teach their peers. This was crucial to the success of the program because the “teachers” were never perceived as ‘outsiders’ by the rest of the group. From this experience, Sternin developed the positive deviance methodology, namely:

- **Define** the problem by identifying a behavioral outcome
- **Determine** who in the community are PDs
- **Discover** how their behavior differs from their neighbors
- **Develop** a community of practice

In their presentations, Positive Deviance Initiative (PDI) experts always stress that, “*the solution lies in front of everybody’s eyes*”. Putting it another way, many people make errors of perception. They see a problem as being permanent and pervasive instead of seeing them as temporary and specific. People tend to over-generalize and learn to become helpless. The reality in the villages in Vietnam is that everybody is poor. That is true. But even though everybody is poor, not everybody has malnourished children. Sternin argues that it is important to focus on behavioral outcomes. For example, a leader might give a wonderful speech to his followers and say that they need to “change their perception.” This would probably have no effect. However, by teaching followers new behavior, followers will change their perception by themselves.

Since the 1990s, PDI has been used in more than 40 countries (including advanced economies) to help communities find ways out of their problems. It has been used by blue chip multinationals (Pascale and Sternin, 2005). Pascale and Sternin (2005) share an experience related to fighting malnutrition in a village in Mali. The villagers believed that child malnutrition was caused by the village sorcerer. The Save the Children facilitator asked if the sorcerer had cast a spell on *every* child. The villagers realized that some families did not have malnourished children. The villagers imitated their actions and their children became healthier. Pascale and Sternin (2005, 75) wrote,

“The villagers experienced a community-wide epiphany... Malnutrition was no longer beyond their control. A grandmother summed up the sense of triumph the villagers felt when she proclaimed, “we have vanquished the sorcerer.”

Generally though, once people understand the PDI methodology, community leaders find it a powerful tool to ‘see’ things differently and help their followers see things differently. As PDI focuses on the ‘best practices in the community’, community members are clear how what they need to do to get out of their existing problem. It should be noted that different PDI case studies yield different lessons. In Indonesia, for example, a positive deviance initiative focused on preventing the trafficking of young girls from poor villages. Typically, a broker would lend money to poor families. When these families are unable to pay their debts, the broker would suggest that the daughters could ‘work’ in the cities so as to reimburse the brokers. Invariably, the girls would find themselves working in the sex industry. Brokers would try to make sure that girls went without legal documents to make it virtually impossible for the family to ever find their daughter again. Although this practice was common in some villages, some families developed strategies to protect their daughters. The positive deviance initiative identified these ‘deviant’ families and identified what they did differently. They got PDs to share their practice with the rest of the village. Once the community realized that there was a better alternative, the community got itself organized with documented success. This Indonesian case is important because of the need for psychological safety. The fact that girls from the village ended up working in the sex industry was an embarrassment - a taboo subject - that nobody wanted to talk about. The charity workers introduce the concept of PDI by proposing to work on a less embarrassing issue (drop-out rates in schools). As the community learnt about the positive deviance methodology, the group switched from school drop out to what everybody was really worried about but dared not talk about: girl trafficking.

When discussing Positive Deviance Initiative, two issues are often raised. One is whether positive deviance is simply ‘benchmarking’ by another name. This author feels that there are certain things about positive deviance that are unique. Benchmarking implies that one looks for the ‘best practice’ outside one’s community or organization. Positive deviance focuses on the ‘best practices’ inside a community or an organization. However, there are certain technical aspects to positive deviance that differs from benchmarking. One of the principles of positive deviance is that, “all individuals who are part of the problem are involved in resolving the problem.” This is not necessarily the case with benchmarking. Positive deviance is more than identifying a

best practice, it is an inclusive effort at changing a specific part of a culture inside a community or an organization. It focuses on changing the culture of the followers, not simply introducing a best practice. A second point that is sometimes raised is that positive deviance is quiet difficult to implement because it requires very specific facilitation skills. In other words, one needs to be well trained before one can start implementing positive deviance as a methodology.

To put the potential usefulness of positive deviance into perspective, consider the findings of Ching (2004). Ching (2004) investigated organizational change among Malaysian manufacturing firms. He got responses from 61 senior managers. He found that the average success rate of organizational change initiatives was about 50%. Organizational change was driven by the desire to cut cost (84%), compete in the market more effectively (59%), deal with requests from major customers (57%) or adapt to new technologies (57%). The respondents reported reasonably high success with corporate restructuring (a success rate of 100%), changing work processes (a success rate of 76%) and managing business expansion (a success rate of 66%). The success rate to successfully changing behavior and changing the corporate culture was 0%. Changing the collective perception of followers and the way they behave is clearly a very important agenda for any business leader.

## 7. DEVELOPING MUSLIM LEADERS

This author has made several points. First, Muslim leaders need to have an accurate perception of their situation. Second, Muslim leaders need to be flexible optimists. They need to know clearly how problems can be resolved. When developing Muslim leaders, certain skills need to be taught.

Many skills are pre-requisite skills. Pre-requisite skills probably include goals setting skills, time management skills, communication skills, supervisory skills, coaching skills and problem-solving skills. These skills are important and cannot (and should not) be under-estimated or dismissed. Without these skills, there can be no Islamic leadership. However, these skills in themselves are probably not enough.

The problem of changing the perception of the followers remains. It is no coincidence that Ching (2004) found that many types of organizational change in Malaysia succeed except the problem of changing the behavior of followers. Yet, facilitators that have used positive deviance have established a remarkable track record in this area. Another problem is how to develop Muslim leaders to be flexible optimists like the Prophet (peace

be upon him)? This author assumes that people who are taught the skills related to positive deviance would naturally become flexible optimists. Positive deviance stresses observing people's behavior rather than assuming something is wrong with their personality and it helps people develop an accurate perception of the existing situation.

It is this author's inevitable conclusion that Muslim leaders wishing to apply the principles of Islamic leadership would benefit a lot by being exposed to positive deviance as a methodology for initiating cultural change. A positive deviance approach would seem consistent with the aims and objectives of Islamic leadership, namely;

- a. To develop an accurate perception of the problem
- b. To solve the problem
- c. To include everybody in the process

One option is that they can acquire the skills to facilitate positive deviance projects within Muslim communities. Another option is that they understand enough about positive deviance to call upon other positive deviance experts if there is a problem in their community or organization in which positive deviance might be useful. Certainly, positive deviance is not the only tool that Islamic leaders should rely on. As Beekun and Badawi have clearly demonstrated, Islamic leadership is rooted in the *Qur'ān* and *Sunnah*. That cognitive (knowing the *Qur'ān* and *Sunnah*) and affective (loving the *Qur'ān* and *Sunnah*) part of Islamic leadership is undisputable. However, when it comes to implementing Islamic leadership, it seems obvious that Islamic leaders need to have access to a variety of tools. They need to know the strengths and weaknesses of each tool, when it is appropriate to use them and when it is not. At this juncture, this author assumes that positive deviance is a very interesting tool to help Muslims become better leaders and better followers. This author is currently starting a series of research projects with a postgraduate student to apply positive deviance in selected Islamic organizations in Malaysia. Those experiments will be able, God willing, to test the suitability of positive deviance as tool for Islamic leaders.

## 8. CONCLUSION

This author has argued that Muslim leaders wishing to apply the principles of Islamic leadership need to become very sensitive to the problem of perception. Using Seligman's terminology, they need to become flexible optimists. Building on the work of Beekun and Badawi, this author has identified positive deviance as an interesting tool that might be used for

changing the culture within communities and organizations. This author does not suggest that positive deviance is the only tool and this author does not suggest that Muslim leaders cannot apply the principles of Islamic leadership without resorting to positive deviance. This is only one of the many tools that Islamic leaders can use but it is arguably a very important one because of the inherent difficulty in changing people's collective perception. Furthermore, the underpinning philosophy of positive deviance seems to be compatible with the philosophy underpinning Islamic law. Positive deviance seems thus a useful tool for Muslim practitioners.

## REFERENCES

- Al-Qardhawi, Y. *Islamic Awakening Between Rejection and Extremism*. Herndon: IIIT, 1991.
- . *Fiqh Keutamaan: Satu Kajian dari Perspektif Al-Qur'an dan Al-Sunnah*. Selangor: Thinker's Library, 1996.
- Al-Mubarakpuri, S.R. *Ar Raheeq Al Makhtum (The Sealed Nectar)*. Riyadh: Darussalam Publications, 1996.
- Ackoff, R. *Ackoff's Best: His Classic Writings on Management*. New York: John Wiley & Sons, 1999.
- Ahmad, K. *Management from an Islamic Perspective*. Kuala Lumpur: International Islamic University Malaysia, 2006.
- , and R. Fontaine, *Management from an Islamic Perspective*. 2nd Edition. Singapore: Pearson Custom Publications, 2011.
- Ahmad, S.F. "Ethical Basis for Organizational Leadership: An Islamic Perspective." *Proceedings of the International Conference on Management from an Islamic Perspective*, Kuala Lumpur: International Islamic University Malaysia, 2007.
- Argyris, C. *Action Science, Concepts, Methods and Skills for Research And Intervention*. San Francisco: Jossey Bass, 1985.
- Auda, J. *Maqasid al Sharia as Philosophy of Islamic Law*. Kuala Lumpur: Islamic Book Trust, 2010.
- Beekun, R.I. "Is Muhammad (S) a Transformational Leader?" *Proceedings of the International Conference on Management from an Islamic Perspective*. Kuala Lumpur: International Islamic University Malaysia, 2007.
- . *Leadership from an Islamic Perspective: Integrity and Justice*. University of Nevada, 2008.
- , and J. Badawi, *Leadership: An Islamic Perspective*. Kuala Lumpur: Amana Publications, 1999.
- Beik, I.S., and L.D. Arsyanti, "Islamic Paradigms on Leadership and

- Management: A Conceptual Analysis.” *Proceedings of the International Conference on Management from an Islamic Perspective*. Kuala Lumpur: International Islamic University Malaysia, 2007.
- Ching, B.H. “Managing Organisational Change: Managers’ Perception in the Malaysian Manufacturing Industry.” *Malaysian Management Review* 39, no. 1 (2004): 15-30.
- Gardner, D. *Risk: The Science and Politics of Fear*. London: Virgin books, 2008.
- Ismail, Y., and B. Ibrahim, “Leadership Prerogatives and the Role of Advisors In Organizational Decision-Making.” *Proceedings of the International Conference on Management from an Islamic Perspective*. Kuala Lumpur: International Islamic University Malaysia, 2007.
- Kotter, J.P. “What Leaders Really Do.” In *Harvard Business Review on Leading*. Harvard Business Press, 1998.
- Lord, R.G., and K.J. Maher, *Leadership and Hëssing: Linking Perception and Performance*. London: Routledge, 1993.
- Luthans, F. *Organizational Behavior: An Evidence-based Approach*. 12th Edition. New York: McGraw Hill, 2011.
- Pascale, R.T., and J. Sternin, “Your Company’s Secret Change Agents.” *Harvard Business Review*. May, 2005, 100-9.
- Randeree, K. “Leadership Lessons for Contemporary Managers from Early Islamic Literature.” *Proceedings of the International Conference on Management from an Islamic Perspective*. International Islamic University Malaysia, Kuala Lumpur, 2007.
- Schermerhorn, J.R. *Introduction to Management*. 10th Edition. New York: John Wiley and Sons, 2010.
- Seligman, M.P.E. *Learned Optimism*. New York: Vintage books, 2006.
- Senge, P.M. *The Fifth Discipline: The Art and Practice of Learning Organizations*. New York: Doubleday, 1990.
- Wren, D.A. *The Evolution of Management Thought*. 4th Edition. New York: John Wiley & Sons, 1994.



## ISLAMIC ECONOMICS AND FINANCE, THEN AND NOW: A *FIQHĪ*-CONOMIC PERSPECTIVE ON ITS DOCTRINES AND DEBATES\*

Salah El-Sheikh

*Department of Economics, St. Francis Xavier University, Antigonish, NS,  
Canada, B2G 2W5 (Email: selsheik@stfn.ca)*

---

### ABSTRACT

Each economy functions within a particular social framework, defined by its moral philosophy and legal system. What makes an economy Islamic is *Shar'ah*, the moral/legal discourses of the classical *fuqahā'*, which defined the economy of classical Islam, shaped its micro and macro institutions, and modulated its actual performance. This economy, which was virtually effaced during the age of European colonialism, has become, in the post-colonial era, both a symbol and basis for revivalist movements in their attempts to re-Islamicize their economies and polities.

Taking the economy of classical Islam and its *fiqhī*-economic foundations as a point of departure and reference, this study generally aims at over-viewing the salient features of the modern Islamic economy, its performance criteria and theoretical justification as envisioned in Islamic Economics, viewed as a science. In particular, it critically narrates the mainlines of the ongoing debate among Muslim scholars, and juxtaposes three main doctrinal approaches advanced by Muslim economists, viewed from the vantage point of efficiency and justice, the *sine qua non* of that economy: namely, those of what I nominatively categorize as Reformist Traditionalists (*Neo-Taqlīdīs*), Islamic Modernists/Rationalists (*Neo-Kalāmis*), and Neo-Conservative Muslim Secularists.

In Section 1, I present a portrait of what I have called the *fiqhī*-economy of classical Islam: its philosophy of social harmony and related moral doctrine of economic justice as fairness (*'adl qua qist*), as well as its micro- and macro-economic institutions, and their underlying economic doctrine of socially embedded markets (*sūqs*) à la Polanyi (1957). It serves as a backdrop for dialogically representing the modern (especially the post-colonial) debate on Islamic Economics, and Islamic finance, in the following sections: In section 2,

---

\*This paper was read at the International Conference on Islamic Economics & Economies of the OIC Countries, organized by the International Islamic University Malaysia and Islamic Development Bank, Kuala Lumpur, 28–29 April, 2009. I gratefully, but not implicatively acknowledge the beneficial suggestions of the Editor, Dr. Ruzita Mohd Amin, and an anonymous referee of this Journal.



the two polar disputational groups, the Reformist Traditionalists vs. the Muslim Secularists; in section 3, the Islamic Modernists; and in 4 the study concludes by delineating some fundamental commonalities and differences in their respective doctrinal positions. In general, the approach I follow is historicist and comparative-institutionalist; and the mainline argument follows the time-honored classical method of induction by example *à la* Aristotle. As such, the study and its conclusions are bounded by the limitations of this methodology.

JEL classification: B4, K00, N20, P5

Key words: Islamic economics, Islamic finance, *Fiqhī*-Conomic method

---

“Dynasty and government serve as the world’s marketplace (*sūq*), attracting to it the products of scholarship and craftsmanship alike ... Whatever is in demand in this market is in general demand everywhere else. Now, whenever the established dynasty avoids injustice ..., the wares on its market are as pure silver and fine gold. However, when it is influenced by selfish interests and rivalries, or swayed by vendors of tyranny and dishonesty, the wares of its marketplace become as dross and debased metals.”

Ibn Khaldūn (d. 1406), *Muqaddimah* (p. 23)

Each economy functions within a particular social framework, defined by its moral philosophy and legal system. What makes an economy Islamic is *Sharīah*: a huge corpus of moral and legal discourses, intended by scholars of the 2nd and 3rd Islamic centuries, for guiding Muslims towards a good and virtuous life. As such *Sharīah* defined the economy of classical Islam, shaped its micro and macro institutions, and modulated its actual performance. This economy was virtually effaced during the age of European colonialism, but, in the post-colonial era, it has become both a symbol and basis for revivalist movements and programs.

The general aims of this essay are to overview the salient features of the modern Islamic economy, and examine the main lines of its economics and its scholarly debates, against what is known about the economy of classical Islam as a point of departure and reference. It does not aim at over-viewing the vast body of literature that makes up this broad field. Rather, informed by this literature as well as a host of related fields and disciplines, the study attempts to dialogically characterize its basic doctrinal positions, rooted as they are in classical *fiqhī* thinking and method; and critically represent them via a selection of contemporary Muslim scholars, whose work typify these contending doctrines. As such, its main focus is primarily



the work of Mahmoud A. El-Gamal, which culminated in *Islamic Finance: Law, Economics, and Practice* (2006), of Timur Kuran, which culminated in *Islam and Mammon: The Economic Predicaments of Islamism* (2004), of Seyyed V.R. Nasr, and the contributions in *Interest in Islamic Economics: Understanding Riba* (2006) edited by Abdulkader Thomas. In so doing, the form of its skeletal argument follows the time-honored classical method of induction by example *à la* Aristotle. Meanwhile, the general approach of the study, historicist in nature, is also comparative-institutionalist, as it attempts to pay due attention to both the synchronic and diachronic aspects of its subject matter. The hope is that this type of critical exposition (systemically and methodologically) of the modern Islamic economy and its debates may help advancing the development of Islamic Economics as a meaningful and productive social science.

## 1. THE *FIQHĪ* ECONOMY OF CLASSICAL ISLAM<sup>1</sup>

*Sharī'ah* was molded by the theological and jurisprudential debates which began before the ninth century. The *Mu'tazilah*, a rationalist school of *Kalām* (philosophical theology) and self-designated *Ahl al-ʿAdl* (Advocates of Justice), argued that humans—with their divine gift of *ʿaql* (reason)—are capable of legislating good laws to regulate their *muʿāmalāt* (social and economic transactions). Opposed by the literalist bend of *Ahl al-Hadīth* (the Traditionalists), it lost its ascendance to the *Ashʿariyyah* school which accepted the rationalist doctrine and method of the *Mu'tazilah*, but largely rejected their views on law. The *Ashʿariyyah* has since provided theological justification for the classical legal theory of *uṣūl al-fiqh* (sources of jurisprudence). The debate brought about an 'idealist' *Sharī'ah* system, which the jurists (*fuqahā'*) constructed with their four-source theory:<sup>2</sup> The *Qur'ān* and the Prophet's Traditions (*Aḥādīth*) being the material sources, a rational hermeneutic enabled them extending the embrace of the sources' positive content. Centering on *qiyās* (analogical syllogistics), this *fiqhī* method was intended to safeguard the divine commands from the vagaries of personal prejudice. Yet, the entire structure of their edifice hinged on *ijmāʿ* (consensus of the *fuqahā'*), which determined the epistemological status of the material sources as well as the fruits of their juristic effort (*ijtihād*): When they reached a consensus, the substance was classed *ʿilm* (knowledge); otherwise, it was *ẓann* (conjecture).

Belonging to competing schools (*madhāhib*), the classical jurists often disagreed, but considered their variant opinions equally valid by their doctrine of *ikhtilāf*, a correlative term to *ijmāʿ*. They also recognized that *qiyās* might lead to injustice; for it depended critically on *ʿillah* (cogent

reason), more a reason in the logical sense (ratio) than in the ontological (causa). Hence, they often exercised their reason, drawing on concepts of the *Mu'tazilah* theory of divine justice:<sup>3</sup> viz. by *istihsān* (seeking the best/most equitable solution), the juristic method of the *Hanafīs*, and *istiṣlāḥ* (seeking the best solution for public benefit) of *Mālikīs*. In so doing, they exhibited an acute understanding of their economic environment, and articulated the moral foundations, and efficient institutions of a highly successful economy.<sup>4</sup>

Behind these accomplishments was the *zeitgeist* (*rūḥ*) of *Sharī'ah*:<sup>5</sup> notably, the rationalist *Qur'ānic* principle of *maṣlaḥah/manfa'ah* that Caliph 'Umar (r. 634–644) called *'umūm al-naḥf* (public benefit). Later, Abu Hamid al-Ghazālī (d. 1111) defined *maṣlaḥah* as furthering *manfa'ah* (benefit) and averting *maḍarra* (harm), theorized that these (being the ultimate purpose (*maqṣūd*) of the Law) consisted in nurturing religion, life, offspring, intellect, and property. Classifying the objects of *maṣlaḥah* into *ḍarūriyāt* (necessities), *ḥājīyāt* (needs), and *taḥsinīyāt* (improvements), he argued that it should inform *qiyās*.<sup>6</sup> This doctrine (*maqāṣid al-Sharī'ah*) was later broadened, but found its most mature elaboration in *al-Muwāfaqāt*, the legal theory of Abu Ishaq al-Shātibī (d. 1388).<sup>7</sup>

## 1.1 THE CLASSICAL DOCTRINE OF ECONOMIC MORALITY

In their pursuit of *tawḥīdī* justice (*'adl*), the jurists found in the material sources divine exhortation for economic activity and just exchange,<sup>8</sup> and formulated a doctrine of justice as fairness in economic dealings:<sup>9</sup> A *Qur'ānic* principle I call *'adl qua qist* that rests on two maxims.

- a. The avoidance of *gharar* (unjustified *jahālah* or absence of necessary knowledge): Intended for obviating the possibility that a party to exchange gains unfair advantage (*ghubn*), this prohibition was sanctioned by *ijmā'*.<sup>10</sup> The idealized world of the jurists ensures a near-complete knowledge, which obviates avoidable risks and uncertainties, hence potential deceptions.
- b. The avoidance of unjustified enrichment (*ribā: faḍl māl bilā 'iwāḍ*): Generically, *Ribā* (with capital R) is every kind of excess or unjustified disparity between exchanged countervalues. Technically, *Ribā* assumes two types: *ribā al-faḍl* and *ribā al-nasī'ah*. The first is often called sale *ribā* (*buyū'*) as it is occasioned by a sale, and *Sunnah ribā* since its prohibition is regulated by *Aḥādīth*: Bartering fungible articles of the same *genus* (*jins*) is legitimate when the exchanged countervalues are quantitatively equal, and their delivery is not deferred. Violation of this rule produces *ribā*, an illegitimate gain. The traditions named only six goods (two precious metals, gold and silver; and four foodstuffs, wheat,

barley, dates, and salt). The jurists exercised *qiyās* to extend the rule's umbrella, but disagreed in specifying *‘illah*, the distinguishing attributes of these goods.<sup>11</sup> The second, *nasī'ah* is occasioned by deferring a countervalue. If a *nasī'ah* transaction stipulates a gain, it is a loan interest (a *Qur'ānic ribā*).<sup>12</sup> Virtually all classical jurists prohibited interest, disagreed on the scope and licitness of other types of *Ribā*, but employed *istihsān* and *istiṣlāḥ* to accommodate economic imperatives.<sup>13</sup>

## 1.2 SHARĪ'AH'S "EMBEDDED" MARKETS

The idealist worldview of the classical jurists is particularly evident in their vision of the market, best illustrated by a classic maxim:<sup>14</sup> "Let the *sūq* [market] of this world below do no injury to the *sūqs* of the Hereafter, and the *sūqs* of the Hereafter are the mosques", the abode of *tawḥīd-qua-harmony*. Rendered by *al-Ghazālī*, it highlights the *Qur'ānic* view of social and economic transactions (*mu'āmalāt*): a consensual, free, and moral exchange, which establishes the necessary conditions for a prosperous life, social harmony, and spiritual progress (*Qur'ān*, 4:29). *al-Ghazālī's* worldly *sūqs* are morally and socially embedded à la Polanyi; they provide the fora for a moral exchange that was analyzed and systematized by the jurists.<sup>15</sup>

### 1.2.1 THE BAY<sup>c</sup> MODEL OF EXCHANGE

Translated "sale", *bay<sup>c</sup>* is also a normative *Qur'ānic* concept, divinely juxtaposed to "unjustified enrichment" (*Qur'ān*, 2:275). With their philosophy of *tawḥīd-qua-harmony*, the classical jurists saw it as such: For sale has to meet their twin maxims (*‘adl qua qist*); and the exchange process itself has to be consensual and fair, thus obviating legal dispute and inequity, and enhancing overall social harmony. Yet they recognized that *bay<sup>c</sup>* was an ideal prototype. Fully aware of the transaction costs of its procedures, and the information costs the doctrines of *gharar* and *ribā* entailed,<sup>16</sup> they formulated practical variants which suited the complexities of their time, notably: (1) *salam bay<sup>c</sup>*, a sale with immediate payment, but deferred delivery; (2) *nasī'ah bay<sup>c</sup>*, immediate delivery, but deferred payment; (3) In *bay<sup>c</sup> juzāf*, the good or/and price are assessed by mere viewing; (4) *murābahah*, a cost-plus resale with a fair/normal profit margin; (5) *istiṣnā<sup>c</sup>*, a *salam* form used for manufacturing; (6) *ījārah* (hire/lease): a sale of usufruct (*manfa'ah*); and (7) *ṣarf*, a currency exchange contract.

### 1.2.2 THE CLASSICAL *SŪQ* AND THE STATE

Long before al-Ghazālī's time, the Islamic city planners did take his maxim seriously. They located in the city's centre the great *Jāmi'* (academy mosque), that "*Sūq* of the Hereafter", where the *fuqahā'* dwelled, taught, practiced and reflected on the Law; and *Dār al-Imārah* (House of the Government): a "political *sūq*", where democratic transactions of *shūrā* and *bay'ah* should take place. Socially and morally embedded, the political *sūq*, with the Hereafter *sūq*, were both physically encircled by the "worldly *sūq*" in a geometric pattern, where the city's economic function was centered. As such, the operation of *sūq* had to obey the jurists' doctrine of *'adl qua qist*, and this brought to the fore the weighty questions of pricing.<sup>17</sup>

Prophet Muhammad is known to have rejected price fixing, on grounds of justice: "The *Musā'ir* (Price-Setter) is Allah", he said. This principle of a divine "Invisible Hand", to borrow a Smithian metaphor, was accepted by the jurists, for it incarnated the *Qur'ānic* ideal of harmonious exchange: A model that insists on clear, detailed, and near perfect information.<sup>18</sup> This *bay'* type is akin to a divinely inspired world of perfect competition, the ideal type of neoclassical economics, which was justified by Adam Smith's moral theory (resting on his philosophy of self-love).<sup>19</sup> In this, it is recalled that the *Qur'ān* (2:275, 4:29) juxtaposes *bay'* with *ribā*, which is akin to the juxtaposition of "normal" and "abnormal" profits; the latter persists only under monopolistic market conditions. Being the basis of fair-pricing in modern regulation theory, the normal/fair profit concept was critical to various species of *bay'* (e.g. *murābahah*), and the economic mandate (fair trade and competition policy) of the classical *muhtasib*.<sup>20</sup>

### 1.3 CLASSICAL BUSINESS ORGANIZATION AND FINANCE

Effective operation of any economy is predicated on the availability of efficient and flexible institutions that facilitate the collaboration between labor and capital, savers and investors, and buyers and sellers in general. In the classical *Sūq* economy, three basic forms of business association (*sharikāt*: partnerships) were available:<sup>21</sup> *'inān* (Hanafī, unlimited), *mufāwah* (limited), and *muḍārabah/qirāḍ*. Their differentiation endowed them with configurations that suited different sectors of the economy.<sup>22</sup>

*Muḍārabah/Qirāḍ* and Banking: *Muḍārabah*—unlike other types of partnerships—exhibited near uniformity among the schools, for it was practiced by the Prophet himself (as *muḍārib*) with his wife-to-be Khadījah. It consists in a contract of fidelity (*amānah*) between *rabb al-māl* (investor), and *muḍārib* (agent), who is not liable for investment loss:<sup>23</sup> Profit shares are

proportionally specified, to avoid *ribā*; but the investor's liability is limited to invested capital. Full agency powers enabled the *muḍārib* to pursue profit opportunities in any field, be it industrial, commercial, or agricultural.<sup>24</sup> The innovative features of *muḍārabah* betray its economic function, underscored by the *Māliki/Shāfi'ī* rendering of it as *qirāḍ/muqāraḍah* (loan provision); and the *Hanafī muḍārib*—when endowed with an unlimited mandate—was able to invest the *muḍārabah* capital in other *muḍārabahs* or partnerships with third parties. It was this flexible mingling of associations (and the multiplicity of “agents” and “investors”) that allowed pooling large amounts of resources, and the emergence of banks, *al-jahābiḍah*, culminating (ca.913) in *Jahābiḍah al-Ḥadrah*, the first central bank in history. Not surprisingly, *muḍārabah* figures prominently in modern Islamic banking, given its ideal of profit-loss sharing (PLS). The Islamic banks have been remarkably successful, except in their primary goal: viz. supplying long-term (development) and PLS financing. This failure largely hinges on the *fiqhī* problem of *gharar*, the information and agency problems that economists call principal-agent problems, moral hazard and adverse selection, among others.

## 2. THE POST-COLONIAL *FIQHĪ*-CONOMIC *MUJĀDALAH*

The interest rate (*fā'idah/ribā*) is a fundamental price in the modern economy: It signifies the terms of trade in inter-temporal transactions, and provides market signals to transactors. Its significance and problems were not lost on early scholars. Caliph ʿUmar (r. 634–644) expressed frustration (and fears: *taqwā*) with it, and said: “I wish that the Prophet . . . had given us a satisfactory explanation of *ribā* (before his death)”.<sup>25</sup> Post-Colonial scholars have had to cope with a similar frustration and fear, as they attempt to “re-Islamize” their economy. In their “modern” debate (*mujādalah*), they followed their classical antecedents, and their arguments have differed depending on whether they are Traditionalists (*Taqīdīs*) or Rationalists (*Kalāmīs*: viz., Islamic Modernists and Secularists).<sup>26</sup>

### 2.1 REFORMIST TRADITIONALISTS: THE ADVOCATES

In *Interest in Islamic Economics: Understanding Ribā*, Thomas (2006, ix-x) reports that his is “the outcome of nearly 20 years of personal inquiry”, part of his odyssey “to fight *ribā* and bring *ribā*-free choices” to his “native North America.” It is a progress report on the fruits of Post-Colonial debate (by a group of Reformist Traditionalists and Islamic Modernists); save Khalil's, all articles were previously published. They are so arranged—the editor states—for revealing “the history of *interpretive chicanery*” of scholars in Egypt and

Pakistan (p. ix: my emphasis). Introduced by Thomas's teacher Shaykh Yusuf Talal Delorenzo, a practitioner in the Islamic-finance industry like Thomas (pp. viii, x), he asks: "why is it that Muslims have so lost sight of the importance of the [*ribā*] prohibition?", and answers: "No legal system can remain viable without ... an object of its application," and that in recent centuries, for reasons mostly political, Western banking "supplanted the *Sharī'ah*-based system of finance". (pp. 2–3)

He then argues: "it was the wealth generated by oil that provided the real impetus for the revival of Islamic jurisprudence"; for with petro-dollars, "banks and investment houses were established" (p. 4). Yet, it was in the late 1980s, when "Islamic finance had grown ..., [that] multinational banks and asset management companies ... [took] interest in its development" (p. 5), and "*Sharī'ah* scholars began working ... with international bankers and Wall Street insiders". To him, the "most important factor in the transition to a ... *jurisprudence of transformation and adaptation* was the reconfiguration of the *nominate contracts ... as building blocks*" (p. 6: my emphasis), a transformation that the Islamic Modernist El-Gamal (2005) renders as "*Sharī'ah* arbitrage" (more below).

### 2.1.1 THE CLASSICAL LEGACY AND SHADOW OF DEUTERONOMY

Three chapters review "the concept of *ribā*" in Islamic jurisprudence and sister traditions. The Islamic concept is given in two articles: the lexical meaning of *ribā* in a classical Arabic lexicon (ch. 1), and its juristic elaboration (ch. 3). "*Ribā* in *Lisān al-ʿArab*" is abridged from a translation by Thomas with others. A classic document, the original Arabic text should have been included, given the usual translation/interpretation problematic; which is evident in "The Juridical Meaning of *Ribā*", a translation (by I. Rahim with Thomas) of an article adapted from Wahbah al-Zuhaylī's *al-Fiqh al-Islāmī wa Adillatuhu*. Solid linguistically, the translations of many *fiqh* terms are not standard, and their Arabic counterparts are often missing. This problem is compounded by the many typos/errors that plague the book.<sup>27</sup>

Al-Zuhaylī's text succeeds the article on Jewish and Christian doctrines by Vincent Cornell (ch. 2). Besides its comparativist merit, inclusion of this well-researched article highlights their importance to *Sharī'ah*, being among the subsidiary sources of Islamic jurisprudence. "In the Shadow of Deuteronomy ..." reviews the Judaic doctrine (on interest/usury) based on Deuteronomy (23:19–20) and Leviticus (25:35–37). It examines the main aspects of its development: (1) The rationalization of the prohibition in terms of the social welfare of Israelite society; (2) The distinction between Deuteronomy's *neshekh* (snake's bite) and Leviticus's *tarbit/ribbit*, which

Maimonides/Mūsa ibn Maymūn (d.1204) respectively identified with “accumulating” (compound) interest and simple interest (pp. 13–4).<sup>28</sup>

“[The] commandments forbidding usury in the Old Testament were accepted in principle by early [Christian theologians]”, but the prohibition was universalized by the Church only after 800 AD; and a usury definition ensued: it occurs “where more is asked (*usara*) than is given (*mutuum*)” (p. 18). Ultimately, the Crusades (1095–1270), their financing imperatives, and the contact they entailed with Islam’s sophisticated economy, primed a paradoxical socioeconomic dynamic into the Christian doctrine (pp. 18–9); but it was the onset of the Reformation during the 16<sup>th</sup> century (and its underlying mercantilist economy) that brought it to an end.<sup>29</sup> Rather than being a “case of moral weakness”—Cornell emphasizes—it was “the outcome of successive conflicts between a number of classic religio-ethical ... antitheses”. (p. 22)

## 2.1.2 IN THE SHADOW OF WESTERN COLONIALISM

Typically, the modern debate on *ribā* takes as a point of departure the views of Azhari scholar Muḥammad ‘Abdu (d. 1905) and his disciple Rashīd Riḍā (d. 1938). It is often forgotten that ‘Abdu was born in 1849, the year Egypt’s Ottoman wali, Muḥammad ‘Ali (r. 1805–1848) died, and with him died—at the hands of colonial European powers—the first Modern Arabo-Islamic experiment of independent development.<sup>30</sup> Less forgotten is ‘Abdu’s leading role in Egypt’s Constitutionalist revolution and his banishment upon the British Occupation; which aborted this democratizing revolution in 1882, and lasted for 72 years of tumultuous struggles for independence. But nothing is said on the question of *ribā* at al-Azhar before ‘Abdu. Likewise, in the case of India/Pakistan, little is said on that question prior to Mawdūdī (d. 1979), during the sub-continent’s longer British colonization, which ended (1947) in a two-state partition, with Pakistan as an Islamic state. In this, Thomas’ book is typical.

### 2.1.2.1 THE CASE OF PAKISTAN

Relegated to the Appendix, it is adapted (and updated) by Thomas from articles by M. Akram Khan. The first modern republic based on religion, the Muslims homeland was named Pākistān, “Land of the Pure.” The lofty name aside, its birth was traumatic, and it took years for its constitution to be enacted. Mirroring years of contentious debates, it contained a “repugnancy clause” which rendered illicit any law that contravenes *Qur’ān* and *Sunnah*. Yet, as Esposito (1980, 143) notes, its provisions “underscored the lack of any clear idea ... regarding an Islamic ideology and how to translate it into



programs and policies”; a problem that was compounded by a leadership “ill-equipped ... for this task.”<sup>31</sup> Moreover, Pakistan’s post-colonial legacy of under-development was aggravated by Cold War geopolitics, conflicts with India, Arab-Israeli conflicts, and ensuing religio-political and geo-economic ramifications of oil. Their interplay modulated the ideological competition between the modernists and traditionalists, but yielded few tangible steps until General Zia’s regime (*Nizām-i-Islamī*).

The Appendix hardly deals with this context and the Pakistani debate beyond stating that the Traditionalists identified *ribā* with interest, while the Modernists identified it with usury: a view that “was led by such eminent scholars as Fazalur [sic] Rahman [like ‘Abdu and Riḍā in Egypt]” (pp. 136–7), a misleading comparison. It was—to Khan and Thomas—the identification of interest with *ribā* by the First International Conference on Islamic Economics (1976) at Mecca that led to “the first steps ... under ... Zia Ul Haq.”<sup>32</sup> A decree was issued (1985) “that all Pakistan Rupee transactions ... be interest free” (with major exceptions); but Islamization stalled after the death of Zia, and “the religious lobby adopted a legal course of action” (p. 137). It obtained “an injunction against interest” that was upheld by the Supreme Court (1999), but “no concrete steps were taken” as yet. They blame this on the “moneyed classes” and their “Western-oriented” allies in government. (pp. 135, 137–8)

### 2.1.2.2 THE ARAB WORLD

In contrast, the *fiqhī*-economic debate in Cairo is well-presented in chapters 4–5. Reconstituted from an unpublished paper by Emad Khalil (p. 63), he focused on Egypt because the “vibrant debate” in Cairo has been highly influential, directly shaping the legal codes of Egypt, Iraq, Jordan, Kuwait, Libya, and Syria. “An Overview of the *Sharī‘ah* Prohibition of *Ribā*” deals with “the the classical legacy”. Critically important here is the post-Crusades *fiqh* renaissance, one may call it, but he only covers the *Hanbalī jalī* (manifest)/*khafī* (hidden) taxonomy of *ribā* by Ibn Qayyim al-Jawziyyah (d. 1350 A.D). Next, “The Modern Debate over *Ribā* in Egypt” is co-authored by Thomas for revealing how “governments have attempted to ... sway Islamic scholars and jurists in ... allowing interest as not being part of *ribā*” (p. x); for this object he adds a postscript. They note that Ibn Qayyim’s arguments anticipated the current debate: “Those in favor of ... interest will contend that the necessities of modern finance require it”; opponents “will argue that any form of *ribā* corrupts all transactions” (p. 63).

This debate, however, has been conducted in the shadow of colonialism, a factor they do not note. Yet it is evident early on, in the Postal-Saving-Fund Affair, which pitted a Westernizing Khedive, Abbas II



(r. 1892–1914), against ‘Abdu, “accus[ing] him of wanting to force *ribā* on pious Muslims” (p. 70). ‘Abdu’s view is not known, except via Riḍā. Riḍā himself adopted Ibn Qayyim’s position, but argued that “*ribā al-jahiliyyah* only occurs when interest accrues on the interest originally stipulated in a contract” (p. 71). This was the context and point of departure for ‘Abd al-Razzāq al-Sanhūrī (d. 1971). He reasoned that *ribā* is prohibited in general, but *ribā al-nasī’ah* and *ribā al-faḍl* are prohibited only to pre-empt *ribā al-jahiliyyah*, which is prohibited *per se*. He then argued that a licit loan (*qarḍ*), a gratuitous contract, “becomes a *ribāwī* transaction, by analogy with sale, when it secures ... interest”; hence, loan (simple) interest is permitted under “need” (*hājah*). This “need” arises—he argued—because *muḍārabah* is not sufficient for modern capitalism. (pp. 72–4)

Khalil and Thomas show the imprint of al-Sanhūrī in the Civil Code enacted in 1948 (pp. 74–6), but do not note its backdrop: viz. the rise of the Muslim Brotherhood in the struggle against the British, and the Palestinian tragedy which dealt the death blow to most colonial Arab regimes (upon the July Revolution, 1952). Again, not noted are the jurisprudential implications of the developmental and Nationalist successes of Nasser’s regime until the Six-Day War (1967); and the rise of Sadat (1970): His new constitution (1971) introduced *Sharī’ah* as “a principal source of law,” thus re-opening the debate on interest. They only mention political Islam’s call for ‘codifying *Sharī’ah*’ (p. 85), and hint at the role the oil wealth played, but do not note the *Ramaḍan* War (1973) which deployed the “oil weapon”, causing that wealth to skyrocket, and the debate’s landscape to expand internationally. They summarize the legislative maneuvering that led to a constitutional amendment (1980), but again miss its political context: viz. Sadat’s (American-sponsored) “separate peace” with Israel.

The constitutional amendment made *Sharī’ah* the principal source of law, and triggered a judicial debate. Like the legislative debate, they incisively reviewed the judicial one and the Constitutional Court’s ruling, which sidestepped the issue of whether al-Sanhūrī’s interest provisions are *Sharī’ah*-compliant (pp. 79–82). Not surprisingly—they add—“in 1989, the Mufti of Egypt ruled that interest on Government Investment Certificates and the like ... was in accordance with the *Sharī’ah*” (p. 86). They summarize this *fatwā*, but this, like Thomas’s own postscript, lacks the accuracy of previous sections; they also overlook a treatise by the mufti, Dr. M. Ṭanṭāwī, which devotes a chapter to this *fatwā*.<sup>33</sup> Thomas’ postscript (pp. 87–8) is even more troubling, given its diatribal mode. He deals with Ṭanṭāwī’s (2002) *fatwā* (“Re: Investing Funds in Banks ...”), which adopts the same *fiqhī* reasoning of the 1989 one (besides invoking *wakālah*), but assumes bad faith, and confuses *fatwā* with a jurisprudential treatise (overlooking Ṭanṭāwī’s). This

author suggests instead the examination of this *fatwā* in El-Gamal's Islamic Finance (pp. 139–46), and also believes *Thomas*'s critical practices should not be part of scholarly Islamic discourse: for it behooves Islamic scholars to abide by the *dicta* of the *fiqhī* classical science *‘Ilm Ādāb al-Jadal*, both its protocols and logical method.

### 2.1.2.3 LA-RIBA: THE FIVE COMMANDMENTS

In chapter 8, *Thomas* sums up, and avers that the *Qur'ān* elevated the Torah's "formal" ban on interest into a universal tenet of "the highest order," such that "the forbidden *ribā* ... borders on *shirk* or the association of a partner with God". He then posits this troubling *takfīrī* argument: Since *ribā*'s Arabic root (r-b-w) connotes "nurturing" or "teaching" (i.e., growth), and since only God "implants knowledge of the elements of ... growth": if applied to money, this means "the mere passage of time causes money to gain value"; therefore, attributing "intrinsic value to money" (to its self-growth) comes "perilously close to *shirk*." He does not seem to realize that his argument hinges on whether "the mere passage of time" is determined by God or not! (p. 127)<sup>34</sup>

*Thomas* then enunciates his disagreement with the classical *fuqahā'*, and presents his own *ribā* doctrine: In effect—although he does not use this *fiqhī* language—he broadens the *Mālikī/Shāfi'ī* *thamāniyyah ‘illah* (currency ratio) to cover *Ḥadīth*'s six goods except salt. He asserts that historically those five goods served as currency in Arabia, and that his rendering of *Ḥadīth* supports his claim (pp. 128–31). He believes his is a justification for well-functioning and fair markets, with confidence in currency being a fundamental base of an interest-free, and sound money economy: hence, his five commandments (on p. 133). It goes without saying, *Thomas* is entitled to challenge the classical *fuqahā'*, but other scholars are entitled to proofs (*adillah*) for his *thamāniyyah ‘illah*, to know why salt is not covered as currency, and why the *fuqahā'* restricted *thamāniyyah* only to silver and gold! Alas, his brief chapter does not address these basic questions! It ends by merely mentioning the contributions of two economists: M. Chapra, and *Thomas*'s "sparring partner", M. El-Gamal (examined below).

## 2.2 MUSLIM SECULARISTS: RADICAL CRITICS

Among the critiques of Islamic economics, Timur Kuran is the most persistent and vocal. His book *Islam & Mammon* is an important but troubling book. Assembled upon the tragic events of 9/11, its chapters are six previously published essays, previewed by a preface that elevates "the horrors of

September 11” to a new epistemological principle for understanding Islamic Economics and Islamic economists. Its first five chapters address his thesis: *The Economic Predicament of Islamism*, the subtitle; the last treats “An Old Puzzle” in Islam’s history.<sup>35</sup> It is best that the essays be chronologically examined for fathoming the geneology of his critique.

### 2.2.1 FUNDAMENTALISTS’ ECONOMIC JUSTICE

“The Notion of Economic Justice in Contemporary Islamic Thought” (1989), chapter 5, largely recycles his earlier work in Kuran (1983, 1986): The “behavioral norms” become “injunctions”, which define an altruistic *Homo islamicus* (p. 105). Each is examined from the vantage point of Islamic economics’ twin principles of justice (pp. 105–8): viz. a “principle of equality” that “forbids gross inequalities in the distribution of goods”; and a “principle of fairness”, stipulating that “economic gains be earned” and “losses deserved”.

Kuran’s examination of the literature he covered leads him to state: “Islamic Economists treat the Islamic injunctions as unambiguous guidelines for attaining justice,” so that “the attainment of substantive justice would be a procedural matter” (p. 109), “an illusion” he wanted “to expose”: For they “disagree as to what the Islamic injunctions are”, and “[those] defended by any given writer are not always consistent with one another” (pp.111–2). He notes: “[Islamic economists] may object that Islamic thought is equipped with a methodology for resolving inconsistencies and handling novel issues, [but claims] these do not amount to an operational system” (p. 117). The “ambiguities”, “disagreements”, and “inconsistencies” mean “that an Islamic society will ... contain *seeds of disharmony*” (p. 101; my emphasis). To most Islamic economists, who “minimize ... the possibility of discord” by maintaining “that people would ... attain a consensus (*ijmāc*)”, Kuran claims that their *ijmāc* doctrine involves two logical “circularities” (pp. 117–8). His overarching conclusion is that Islamic economists “have not established that the injustices they find in existing social orders would be absent from an Islamic order” (p. 119).

The preceding claims call for the following methodological remarks: (1) In general, Kuran bases his views on Islamic legal theory on discredited Orientalist sources; and when he relies on balanced ones he misuses them: e.g. his reference (on p. 119 and n. 80) to Hourani (1964) and Hallaq (1986) for supporting his erroneous views on *ijmāc*.<sup>36</sup> In fact, Hallaq (p. 429) states that Hourani “attempted to show that consensus does not rest on a *petitio principii*” (circularity); and concludes: “there is nothing in the theories of jurists after *Juwaynī* to indicate that their arguments for ... the authoritativeness of consensus were less than convincing, whether we view

them from the standpoint of logic, law, or theology” (p. 450). (2) In reaching his “seeds of disharmony” and overarching conclusions, Kuran overstates the “disagreements” by his “indiscriminate selection from the literature” on Islamic economics, a “virgin land” that a “variety of scholars have attempted to cultivate”, including “a group that has no consistent approach and only a superficial understanding of Islamic injunctions”, Muhammad Khan (1990, 375) aptly points out: He also juxtaposes this group with two others, who hold opposite views regarding the extent of economic equality and role of market mechanisms in achieving it. Highlighting the doctrinal differences between these groups should have concerned Kuran. (3) In his *ijmāc* argument, he overlooks the doctrine of *ikhtilāf* (a twin of *ijmāc*).<sup>37</sup> This doctrine, which would stem the “seeds of disharmony”, should have informed him in explicating the “disagreements” between Khan’s two learned groups.

Kuran (2004, 116) acknowledges that “[n]o intellectual enterprise as ambitious as [Islamic economics] ... can be entirely free of inconsistencies,” but legitimately argues that “blatant inconsistencies can be avoided through careful and systematic reflection”. In his reply to another comment by M.S. Ebrahim and A. Safadi (1995), he also admits that he “would now give [Islamic economics] .... greater credit for its insistence on ... behavioral norms” (Kuran, 1995, 160). Finally, in view of the preceding, had Kuran (2004) updated his essays, he may have profitably revisited his conclusion that “[Islamic economics] injunctions rest on a *faulty model of human civilization*” (p. 103; my emphasis), and obviated the impression his critiques give: viz.—as voiced by Khan (1990, 375)—that he confuses “the reader as to whether he set out to criticize [Islamic economists] ... or to claim that Islam ... has nothing to do with economic justice”.

## 2.2.2 FUNDAMENTALISM’S ECONOMIC PRAXIS: “TERRIBLE FAILURES”!

In chapter 1, “The Economic Impact of Islamism” (1993; written originally for the Fundamentalism Project), Kuran again recycles his early work, presenting a coherent survey of the content of his Islamic economics, “Maududi-conomics”, I call it. Chapter 2, “Islamic Economics and the Islamic Sub-economy” (1995), is only a refinement of the three elements defined in chapter 1: i.e., Islamic banking and finance, redistribution (*zakāt*), and economic morality. His aim is to “demonstrate that the impact of Islamic banking has been anything but revolutionary, that obligatory *zakāt* has nowhere become a significant vehicle for reducing inequality, and ... the renewed emphasis on economic morality has had no appreciable effect on economic behavior” (p. 7). Moreover, the “doctrine of Islamic economics ...

does not offer a comprehensive framework [and operational method] for a modern economy” (p. 53).

Though not without merit, Kuran’s harsh indictment is not accepted by Islamic economists. M.U. Chapra (1996, 194), for instance, comments that it would have been true of Islamic economics “only if the market system were ... not a comprehensive framework ... [for their] objective has not been [only] ... to remove the deficiencies of conventional economics [with] ... emphasis on justice, brotherhood ... by combining moral, historical, social and political factors emphasized by past Muslim scholars, especially Ibn Khaldūn”; Kuran (1996, 195–6) seems to concur. Yet his argument in the book is still marred by questionable assertions. I will note only three, all pertaining to the factual record he invokes: (1) He paints repeatedly a dark picture of the foundational era of the Prophet and his rightly guided Caliphs, and renders it “The Myth of Islam’s ‘Golden Age’”, relying primarily on biased Orientalist sources (e.g. pp. 3–4, 95–6). (2) He repeatedly (e.g. on p. 13) states that “Neither classical nor medieval Islamic civilization featured banks in the modern sense”, overlooking the above-mentioned Islamic institution of *jahbad*, which Fischel (1983), for instance, equates with banks in the modern sense.<sup>38</sup> (3) Kuran denies any authenticity to the first modern Islamic bank (of Mit Ghamr, Egypt) (p. 14), despite its founder’s testimony to the contrary (in note 46); yet he invokes a statement by this same founder for supporting his verdict on “existing Islamic banks as terrible failures” (p. 45).

### 2.2.3 THE GENESIS OF ISLAMIC ECONOMICS: HOW TO ABORT IT?

Given the “terrible failures”, “what explains why they have generated excitement and participation?” Kuran asks (pp. 49–50). His answer is a psychological one, which hinges on the politics of Muslim (socio-economic failure and) identity in colonial India (pp. 107, 39, 50–3). Viewed as a front for Islamism, itself a civilizational failure, Kuran presents his Islamic economics claim in chapters 3–4. “The Genesis of Islamic Economics: ...” (1997) argues that “the economics of ‘Islamic economics’ was merely incidental”, and “the alleged antiquity of the doctrine is a myth” (pp. 82–3): That amid fears of a Hindu-dominated India (in 1930s), Mawdūdī argued that Muslim survival “as a community” lies in embracing “Islam as a ‘way of life’”. “Islamic economics” was part of Mawdūdī’s reformulation of “a new Islamic orthopraxy” (pp. 88–9), for which he conjured a “Myth of Islam’s ‘Golden Age’”: And this has cultivated the seeds of a “Clash of Civilizations” (*à la* Huntington), a prominent theme among Islamist intellectuals and movements, Kuran claims.

Kuran’s argument is interesting, but his claims are only half-truths.

As Chapra (1996, 193–4) notes: He bases his “Genesis” thesis by looking at some of the literature and only in English: “if one were to look ... in other[s] ..., particularly Arabic,” a different perspective would emerge.<sup>39</sup> As for the alleged antiquity myth, Chapra also reminds (p. 194) that Islamic economics “has its roots deep in ... writings of *Qur’ān* commentators, jurists, historians, and social, political and moral philosophers,” especially Ibn Khaldūn (d. 1406). Chapra does not mention the specialized treatises of others like al-Dimashqī,<sup>40</sup> but correctly notes: “[Islamic economics] remained primarily an integral part of the unified social and moral philosophy of Islam until after World War II, when the independence of most Muslim countries and the need to develop ... gave it a boost” (p. 194). Indeed, had Kuran looked into the emergence of economics in developing countries in general, he will have discovered that it had to wait until they were rid of their colonial masters. A case in point is a study by Galal Amin (1995) on Egypt (1882–1994).<sup>41</sup>

Curiously, this fact of Western colonialism is absent in Kuran’s narrative, including the tragedies it created in the Muslim World: e.g. The Palestinian tragedy, a leading factor in the rise of Islamism, is never mentioned. In this, his discourse is akin to the Fundamentalism Project.<sup>42</sup> This ideological blindfold causes him to confuse anti-imperialism with anti-West, and the logic of resistance with the “logic of cultural separatism” (pp. 87–9). His model of explanation often mistakes dependent variables for independent ones, as in blaming the “Clash of Civilizations” on Islamists, despite his other, contradictory claim that “[d]iverse secularists agree that a bitter war is under way among two incompatible civilizations” (pp. 98–9).<sup>43</sup> He overlooks the fact that it was the frustration of the secularists’ development programs by Western policies and violent interventions that created the necessary conditions for Islamist movements to re-emerge.

Kuran (2004)’s blinders are self-evident in “Islamism and Economics: Policy Prescriptions for a Free Society” (1997), where he declares his ideals and biases, those of the conservative Austrian school (p. 56 and n. 4): a doctrine the Nobel-Laureate economist Joseph Stiglitz (2002) aptly calls “market fundamentalism”, which proved dangerously wanting in experience. He also invokes the view of (Turkish Kemalist) Mumcu that Islamic economics’ expressions are a sinister ploy to demote “Muslims from global civilization ... into a despotic political union” (p. 55); and finds Mumcu’s point “unassailable” (p. 64). With this conviction, Kuran proceeds to his central objective: “how policy makers committed to a free economic order should respond to the rise of Islamic economics and the Islamic sub-economy” (p. 80). His tripartite onslaught: “Expose”, “Establish the Limits” and “Listen Carefully” (pp. 71–9) recalls the Cold War strategy

of containment in the face of “The Domino Effect” of Islamic economics practices (pp. 62–7).

#### 2.2.4 *QUO VADIS!*

Kuran’s discourse, his Neo-Orientalist social science and Neo-Conservative economics, attempts to supply justification for “Globalism” (Neo-Imperialism), “Universalism” (Eurocentrism), ultimately for current American policies and strategic doctrine. Being the prime mover of the so-called “Clash of Civilizations,” it conjures an Islamic threat for gratifying its hegemonic proclivities (Manifest Destiny) in the post-9/11 era. Yet to Kuran, the cause is the moral and psychological maladies of Muslims, especially Islamic Economists, their deadly sins: It was their “anger, resentment, frustration, and envy”, besides their “belief that Islam offers solutions to entrenched problems of human civilization” that “sowed the horrors of September 11”, he claims in the first sentence of his *Islam & Mammon*.

Kuran’s social science assumes that there is no way but the American way *à la* Fukayama. To him, “anthropologists and many area specialists,” like multicultural pluralists, create a Western “self-doubt” that “makes it harder for ... Muslims to defend Westernization” (pp. 75–6). Thus, the brilliant work of Clifford Geertz on culture and meaning, even on Muslim socio-economic development and institutions [such as Geertz (1979, 2000)], is glaringly absent in his enterprise. In all of this, his narrative is engaging and readable, but highly repetitive; and his language often betrays a subtle haughtiness, typical of Neo-Orientalists.<sup>44</sup> His list of references is long and varied, albeit faithful to his ideological and Neo-Orientalist bent. Importantly, it strangely excludes all critical comments made by Islamic economists on his critique of their work.

### 3. ISLAMIC RATIONALISTS; OLDER AND NEWER

Kuran’s rendering of Islamic economics as “Fundamentalist Doctrine”, hinges on his choice of literature and authors, besides glossing over their doctrinal and methodological diversity. A case in point is the Islamic economics doctrine that derives inspiration from classical Islamic rationalism (*kalām/falsafah*), often taking as a point of departure the *fiqhī* doctrine of *maqāṣid al-Sharīʿah*.



### 3.1 THE OLDER VINTAGE AND ECONOMIC PHILOSOPHY

Again the scholars represented here differ. The first, a pioneer of Islamic economics, is M. Umer Chapra; some of his views are given above. His article in the Thomas (2006) volume, originally prepared for the Shariat Appellate Bench of the Supreme Court of Pakistan (p. 108), is titled “Why has Islam prohibited interest? Rationale...” The rationale is “difficult to understand unless we take into account the *maqasid al-sharia’a* [sic]”, as “all leading jurists” deemed justice “an indispensable ingredient of *maqāsid*”, he states (pp. 96–7). It translates into “the universally cherished humanitarian goals of general need-fulfillment, optimum growth, full employment, equitable distribution ..., and economic stability” (pp. 97–8). The realization of these entails “injection of a moral dimension into economics in place of the materialist and self-indulgent orientation of capitalism”; and ultimately necessitates restructuring the economic system, “an essential part” of which is the PLS financial intermediation: The “greater discipline” it induces also enhances efficiency (pp. 98–9).

Chapra then takes up these goals, for supporting his claimed superiority of PLS- to interest-based banking. It is not feasible to detail his argument, but its overall mode prompts these remarks:<sup>45</sup> (1) The economic substance of his argument is essentially that of the Neoclassical/Keynesian synthetic doctrine of modern economics; this orientation leaves much to be desired, especially regarding development questions, central to Pakistan and other Muslim countries. (2) He overlooks the experience and problems of Islamic banking in Pakistan and elsewhere. (3) The form of his argument is logically flawed, for it goes as follows: {the *actual* interest-based system of capitalism is inefficient, unstable, and unjust}, therefore, {the *hypothetical* PLS-based system of Islam is superior}. Merely conjectural (*zanni*), this form does not constitute a demonstration (*burhan*); yet it was convincing to the appellate judges (pp. 135–8). These facts reveal the apologetic bent of his discourse. But Chapra is far from apologetic: for his, being “[an] attempt of a human ... to understand the rationale behind God’s teachings ..., it should be borne in mind that ‘God alone has the convincing argument’ (*Qur’ān*, 6:14)” (p. 111).

This tendency towards pietistic apologia drew criticism from other Islamic economists, notably Seyyed V.R. Nasr, who articulated a coherent critique, and positively rationalist approach for reconstructing Islamic economics.<sup>46</sup> Nasr (1988) voices concern that “this once ... effervescent field of study has begun to show signs of fatigue and stultification,” with “less concern for epistemological issues, while more energy is ... spent on insisting that interest-free financial institutions are ... superior in both ethical and financial terms” (p. 211). The problem, he notes, is methodological: for often its methodology “has not been informed with faith, but has been substituted by it” (p. 387).



The “fatigue and stultification” stem from a web of post-colonial entanglements—the diagnoses—which have modulated the intellectual production and engagements of Islamic economists,<sup>47</sup> and caused an “excessive emphasis placed upon institutional development,” especially interest-free banking, often mistaking “this process” for Islamic economics itself (pp. 215–6). This is compounded by Orientalists’ view of Islam, and the geopolitics of Islamic resurgence. Thus,

“... non-Muslims have gone to great lengths to “expose” the unviability of interest-free economics, [a fact that] both justifies and explains the compulsion which Muslims ... feel for responding to and defending ... these institutions.” (p. 212)

Yet, without concepts of their own (e.g. “efficiency”), Islamic economists “have been compelled to defend their records according to western economic criteria” (p. 212). He then suggested redirecting their energies to a meaningful science of Islamic economics, a suggestion that drew fire from Kuran, who distorted Nasr’s position.<sup>48</sup>

Nasr has identified the root cause of the methodological malaise: the absence of an Islamic philosophy. Nasr (1987, 176) then notes, a philosophy of economics should “provide economic thought with an overall conception of change” (development).<sup>49</sup> Hence, he builds on Islam’s philosophy of history, and its view of the human purpose (pp. 177–82): This being “integration of the spiritual and temporal dimensions of man’s existence,” the criteria for development “requires standards of judgment that would account for the spiritual as well as the material welfare of society” (pp. 179–80).

Evidently, this philosophy broadens economics’ concept of equilibrium to an “earthly social equilibrium”, conditioned by “existence of social harmony, individual free will and collective responsibility in the community,” as Nasr (1989, 520) indicates.<sup>50</sup> Instrumental to it is *Homo islamicus*, “God’s vicegerent on earth,” (p. 519), a point of departure for constructing the “science of Islamic economics”. In this, Nasr (1988) suggests that Islamic economists “must [first] discern the basic premises of the modern science of economics ... and separate ... the theoretical assumptions which would have to be ‘Islamized’” (p. 217).<sup>51</sup> Rather than “simply disobey *dicta* which western economics see as ‘scientific laws’,” the Islamic economist would re-interpret them, “setting in motion a process which eventually will change the entire structure of economic thought” at large (p. 219).

Nasr (1987, 195–6) states: his work “has demonstrated ... [that] the possibilities for constructing a philosophy of economics are present in Islam”;

but the overall project—Nasr (1991, 399) concludes—“is a methodical, tedious, and piece-meal endeavor. It cannot waver from the methodology of thought and action of the sciences”. Yet, Nasr’s proposed concepts are predicated on *Homo islamicus*. The problem is how to get actual economic agents to attain its cognitive powers and ideal motivations, so that “optimality restraint” can be operationalized. Alas, I could not find in Nasr’s thoughtful example a way out of this scientific problem.

### 3.2 THE NEWER VINTAGE AND *SHARI’AH* PHILOSOPHY

In contrast, a newer vintage of Islamic economists, while recognizing the normative value of *Homo islamicus*, tend to replace the fanciful rationality of *Homo economicus* with Simon’s positive concept of “bounded rationality” (and its twin concept, the “transaction cost” of Coase) of New Institutional economics.<sup>52</sup> Some base their economics implicitly on classical Islamic philosophy (*falsafah/hikmah*) at its most mature: viz., that of Abu ’l-Walīd Ibn Rushd (d. 1198).<sup>53</sup>

#### 3.2.1 THE RUSHDIAN PHILOSOPHY OF PRACTICAL SCIENCES

In *Faṣl al-Maqāl*, Ibn Rushd produced a distinctive philosophy (and method) for “the practical sciences”. Rooted in his *Qur’ānic* principle of *tawḥīd* (unity of truth), and primarily achieved by “uniting reason and revelation” with his hermeneutic of *ta’wīl*, it informed his landmark *fiqhī* treatise *Bidāyah al-Mujtahid wa Nihāyat al-Muqtaṣid*, an integral part of his grand philosophical system. The *Bidāyah* ends with a brief on his view of *maqāṣid al-Sharī’ah*, stating:<sup>54</sup> “the intended goal of *Sharī’ah* provisions are the virtues (*al-faḍā’il al-naḥsiyyah*)”; embodied in *Sharī’ah*’s detailed rulings, “the[ir] four genres” are “continence” or “moderation” (*‘iffah*), “justice” (*‘adl*), “courage” (*shajā’ah*), and “generosity” (*sakhā’*): All—he concludes—are underwritten by Muslim forms of worship; thus constituting the four pillars of Islam’s philosophy of harmony (pp. 908–9). This Rushdian philosophy of the practical/moral sciences rests on a rigorous method that favors “demonstration” (*burhan*) over the conjectural tools (*qiyās zannī*) favored by jurists. This logical concern is central to his method of *ta’wīl*, his philosophy of *maqāṣid* (*maṣlahah*: benefit), and its later elaboration by al-Shātibi.

An example of the newer vintage is Mahmoud A El-Gamal, Thomas’s above-mentioned “sparring friend”. His work culminates in *Islamic Finance: Law, Economics, and Practice* (2006). *Law, Economics, and Practice* being its subtitle, he exhibits an outstanding command of these,

besides Arabic, language of the primary sources he invokes. The book's argument deploys the Institutionalism machinery, but does not refer to New Institutionalism or its exponents. Likewise, he seems to invoke Ibn Rushd's view of *maqāṣid* and *ta'wīl*, and—at a critical point—draws on *Bidāyah*'s economic concepts, but does not refer to its underlying philosophy of the social/practical sciences. Again, he utilizes the main terms of the Aristotelian-Rushdian hylomorphic theory of reality (without referring to it), as he indeed invokes all these in the prefatory statement of his objective:

“I show that ... Islamic finance has placed excessive emphasis on contract *forms*, thus becoming a primary target for rent-seeking legal arbitrageurs. In every aspect ... Islamic finance aims to replicate in Islamic *forms* the *substantive* functions of [Western] ... financial instruments, markets, and institutions ... [and thus] has arguably failed to serve ... *maqāṣid al-Sharīah* .... I propose refocusing Islamic finance on *substance* rather than *form*.” (Emphasis added; pp. xi-xii)

### 3.2.2 THE TWIN MAXIMS REVISITED

The *ribā* and *gharar* maxims of justice *‘adl qua qist* were treated earliest in El-Gamal's work: Thomas (2006)'s chapter 7, “An Attempt to Understand the Economic Wisdom (*Hikmah*) in the Prohibition of *Ribā*” is adapted from El-Gamal (2000), his earliest paper. The chapter's aim is obviating “three main [contemporary] misconceptions”:<sup>55</sup> Especially, the misplaced belief that the prohibited *ribā* is usury (rooted in a mistranslation and misreading of *Qur'ānic* verses (2:278–279)), which is explicated by invoking Ibn Rushd. (pp. 112–3)

Ibn Rushd's *fiqhī*-economic explication of the *ribā* prohibition in *Bidāyah* is a classic illustration of his method and *maqāṣid* philosophy of *Sharīah*. “*Al-maqṣūd* (the intended goal)” of this maxim—he says—is “justice in exchange”, viz. “approaching equality” by eliminating “*al-ghubn al-kathīr*” (excessive inequity): a question in “fair valuation” (*taqwīm/taqdīr*) (p. 584). Here the philosophic *Mālikī* jurist admits the superiority of a *Ḥanafī ‘illah* (explicating the six-goods *Ḥadīth*), then theorizes a solution. El-Gamal's extract is a good translation of Ibn Rushd's, but it replaces the adjective “*kathīr*” by “*fāḥish*” (in *ghubn kathīr*), and stops short of a phrase that enhances the efficiency angle of its explication: viz., “save in the way of wastage” (*‘illah min jihah al-sarf*). Yet, El-Gamal's account of Ibn Rushd's valuation/pricing principles is well-rendered in modern terms (pp. 117–9). In brief, “justice as fairness” in exchange is attained by obviating sale *ribā* through incremental/marginal relative-benefits equality, ultimately

by marking to market prices: a necessary rule for optimizing the economic-community's welfare *à la* Pareto, provided all prices are formed in free markets, also free of monopoly power.<sup>56</sup>

This market optimality, which is akin to that of the *fiqhī* classical *sūq* (in 1.2 above), prompts three remarks: (1) El-Gamal's identification of neoclassical allocative efficiency with Ibn Rushd's view is further enhanced by—I believe—an excluded paragraph (following his extract), stating that the *ribā* prohibition is supported by another *‘illah*: “the prevention of transacting, if it involves wastage (*sarf*)” (p. 585). (2) His discovery (eight centuries ago) of the modern fundamental theorems of welfare economics is a product—I think—of Ibn Rushd's *Mālikī* juristic doctrine (that emphasizes benefit/utility in its method of *istiṣlāḥ*), synthesized with the *Ḥanafī* rationalist method of *istiḥsān* (that emphasizes finding the best solution) by a master *Sharī‘ah* philosopher, given his *maqāṣid* principle, and method. (3) Attaining Rushdian justice *à la* Pareto requires the cognitive powers of *Homo economicus*, El-Gamal recognizes; but given the bounded rationality of humans, only *Homo islamicus* can attain it by internalizing the *ribā* maxim.

Thus this New-Institutionalist notion of bounded rationality is supported—as he notes—by 23 *Qur’ānic* verses as well as modern “experimental evidence on idiosyncratic human behavior” (pp. 119–22). The upshot is that boundedly rational humans exhibit serious “discounting anomalies” that gear the phenomenon of “dynamic inconsistency: the inability to follow one’s plan”; which results in excessive debt, often ending in financial ruin (p. 122). “The solution,” El-Gamal avers, is “a pre-commitment mechanism, such as the one imposed by asset-based Islamic finance”: As it “encourages marking assets to market, including ... [its] time value”, this model is superior to its conventional analog, for it is “efficiency-enhancing” *à la* Ibn Rushd (p. 123).<sup>57</sup>

Soon after, El-Gamal (2001) examined the other maxim, reasoning that the Prophet's *bay‘ al-gharar* translates into the “trading in risk” exemplified in the *maysīr* (gambling) prohibited by *Qur’ān* (5:90).<sup>58</sup> He then posits an efficiency argument for distilling the economic wisdom behind this prohibition, drawing on the modern economics of choice involving risk, by a game-theoretic model (pp. 10–24). Again, the root cause is that humans (including finance practitioners) fall short of *Homo economicus*. Boundedly rational, they take excessive risks (often addictively), and overpay for insurance and similar transactions.

In chapter 3 of *Islamic Finance: Law, Economics, and Practice*, El-Gamal (2006) introduces three sets of binary terms, including the Aristo-Rushdian “substance/form” view of economic contracts: economic

substance being the efficiency-*cum*-equity content, attained via marking to market prices. Financial theory invites the others: the “credit/risk” binary, and the “bundled/unbundled” taxonomy of credit-and/or-risk transactions. He then recasts his explication, arguing that “the forbidden *ribā* is essentially ‘trading in credit,’ and the forbidden *gharar* is ‘trading in risk,’ as unbundled commodities” (p. 47). Thus, an unsecured interest-bearing loan, a paradigm of *ribā*, is prohibited because it is an “unbundled sale of credit, wherein it is difficult to mark the interest rate to market” (p. 57). Likewise, the injunction against *bayʿ al-gharar* is a prohibition of an unbundled sale of risk, whose paradigm is gambling; here risk assessment will involve a mispricing of risk premia, and cause excessive risk-taking (pp. 60–1).<sup>59</sup> The classical maxims and (bundling) contract forms are thus regarded as pre-commitment mechanisms, whose aim goes beyond conventional-finance’s tools: For the aim of financial (state) regulation is treating systemic failures, while the client-screening practices of financial institutions are only driven by their profit passions. Besides, the Islamic mechanisms aim at “protect[ing] individuals from their own greed and myopia” (p. 48). Yet, those contract forms can be emptied of their economic substance by (de-bundling) *hiyal*.

### 3.2.3 FINANCIAL ISLAMIZATION AND *SHARĪʿAH* ARBITRAGE

Preoccupation with contract form is a hallmark of the Islamic-industry practices El-Gamal calls *Sharīʿah* arbitrage, a variant of the rent-seeking regulatory-arbitrage of Western finance. The main actors of this high-stakes arbitrating drama are the financial institutions, industry lawyers, and Muslim jurists. Hence he analyzes the *Sharīʿah*-arbitrating activities of Islamic-finance providers,<sup>60</sup> and their ‘supporting actors’, the Muslim jurists whose sanction is necessary for rendering financial products “*Sharīʿah*-compliant.”

In “Jurisprudence and Arbitrage” (ch. 2), he reviews the classical doctrine (overviewed earlier) and its near demise, noting a tendency among *Sharīʿah*-restoration advocates to read the classical corpus uncritically (p. 31): A consequence of the disenfranchisement of the institutions of *ijtihād*, in the age of colonialism. This vacuum has also given rise to “collective *ijtihād*” and— for exercising it—two sets of juristic institutions: the national and multinational juristic councils, and bank-sponsored *Sharīʿah* organs/boards; both deploy the institution of *iftāʾ*.<sup>61</sup> Yet, contemporary *iftāʾ* has been inherently flawed: its deployment reveals its flaws. It starts with the financial providers’ R&D teams. After identifying marketable products, the provider’s jurists scan classical *fiqh* books for precedents or analogues. The finance professionals and lawyers then devise *Sharīʿah*-modified products that can pass regulatory and viability tests. Subsequently, appropriate questions are

formulated, then directed to the providers' *Sharī'ah* boards or/and national or multinational councils for eliciting *fatwās*. El-Gamal argues vigorously to show how contemporary Muslim jurists have geared classical jurisprudence to rent-seeking *Sharī'ah* arbitrage: how "progressively smaller groups of jurists have issued *fatāwā* that allowed progressively closer approximations of conventional banking practice [sic]" (with the industry's "decisive primary mover advantage") enabling them "to shape Islamic jurisprudence ... for future generations" (pp. 34–5).<sup>62</sup>

The *Sharī'ah* arbitrage orientation involves four main economic pitfalls: (1) by recasting conventional transactions in Islamic forms, it forecloses the *maqāṣid* path of innovation. (2) By marking to conventional-finance pricing, it vitiates the Pareto-Rushdian optimality. (3) The transaction costs at both R&D and operational stages make Islamized products costlier.<sup>63</sup> (4) "[T]he danger inherent in its mechanics, especially in today's post-9/11 legal and regulatory environments" (p. 176): "[these] were copied from Western regulatory arbitrage methods aiming to reduce tax burdens", which have "a checkered history" (p. 177).

Having covered chapters 1–3, I will deal with the others. They mainly cover two inter-related angles of Islamic finance: (1) the nominate-contract forms of products/transactions (ch. 4–6); (2) the Islamic institutions, their corporate-governance, and regulatory-environment (7–10). Alas, I cannot do them justice, for much of their value lies in their technical and analytical detail, which is impossible to render here! I can only sketch some salient features of these angles.

### 3.2.4 THE ISLAMIZED FINANCIAL TRANSACTIONS

The sequential ordering of chapters 4–6 reflects the chronological progression of the industry's product menu. Thus, "Sale-Based Islamic Finance" (ch. 4) presents classical *bay'c* (overviewed in 1. 2): viz. its trust-sales type, notably *murābahah*; and *ṣarf* (currency exchange), *īnah*, and their *tawarruq* (monetization) overgrowth.

*Murābahah*- and *tawarruq*-financing exemplify and reveal both the failure and promise of Islamic finance. Consider "*murābahah* to order", which ushered the birth of the industry. As a debt-financing instrument, it entails two problems: viz. acquiring the financed property and setting its price markup. El-Gamal shows that their solutions approximated conventional secured lending (pp. 33, 64–8).<sup>64</sup> The banks have thus squandered the "substance" of this equity-based transaction (pp. 75–7). By contrast, *tawarruq*-financing finds its origin in *īnah* (same-article sale-repurchase contract), a legal device that can be used for charging interest, which *ṣarf* disallows.<sup>65</sup> Unlike

*murābahah*-financing, it is “structured by the banks to equate financing charges to market interest rates”, regardless of its “underlying commodity” (p. 73).

Likewise, “Derivative-Like Sales: *Salam*, *Istiṣnāʿ*, and ‘*Urbūn*” (ch. 5) examines their deployment in synthesizing financial derivatives.<sup>66</sup> The mechanics here are more intricate, but El-Gamal did an admirable job making them accessible—I think—to non-specialists, by an effective use of charts. Thus the classical *salam*-like *istiṣnāʿ* (for financing manufacturing) has been synthesized by contemporary jurists for financing development projects (p. 90); but *salam* (prepaid forward sale) has been synthesized for “purely financial transactions” (pp. 81–2).<sup>67</sup> Again, the ‘*urbūn* sale (non-refundable down payment), with its buyer’s opting-out feature, has conjured the call options of conventional finance (pp. 91–2).<sup>68</sup> Similarly, “Leasing, Securitization, and *Ṣukūk*” (ch. 6) examines *ijārah*, and Islamic bonds (*ṣukūk*) that utilize it.<sup>69</sup> Defined by classical jurists as sale of a property’s usufruct (*manfāʿah*), *ijārah* (leasing) permits a greater flexibility “that allows leasing to serve multiple functions in Islamic financial structures” (pp. 98–100). These multiple functions are exemplified in two *ijārah* types of *ṣukūk*.<sup>70</sup>

### 3.2.5 THE ISLAMIZED FINANCIAL INSTITUTIONS

El-Gamal then directs his critique to Islamic financial intermediaries, and—guided by the Pareto-Rushdian *telos*—argues for restructuring them on the basis of mutuality. In “Partnerships and Equity Investment” (ch. 7), his aim is to “review classical jurisprudence on partnerships ... [and] contemporary juristic analysis of limited liability corporations and corporate stocks” (p. 117). He covers the *sharikāt* (overviewed in 1.3), noting that *muḍārabah* was recognized as a precursor of the corporation, thus “paving the way for [its] reinterpretation of contemporary joint-stock companies” (p. 121). He also reports that “numerous juristic councils permitted trading *common* stocks of corporations that have permissible *primary* businesses” (my emphasis), and that “mutual funds were allowed”, with the “fund provider [viewed] as an agent for fund shareholders” (p. 124). The management of their stockholdings being crucial, its “central ‘Islamic’ focus” has been the construction of costly “negative screens:” viz. “screening criteria ... to exclude certain stocks from the universe of permissibility” (p. 125), corresponding to product and *ribā* prohibitions (pp. 125–7).<sup>71</sup>

In “Islamic Financial Institutions” (ch. 8), the object is the Islamic versions of banks, insurance (*takāful*) companies, and venture-capital and private-equity firms. The last inherently embodies *wakālah* (agency), the *fiqhī* principle that underpins—what El-Gamal playfully calls—“the magic



solution”.<sup>72</sup> For this he takes stock of the current debate by juxtaposing a set of dialogical twin-*fatwās*, each expresses opposite approaches to Islamization: viz. the *Sharī‘ah* arbitrage approach and the minimalist one; the latter seeks only to modify conventional practices, but “add consumer protection and prudential regulations”, based on “canonical texts and pre-modern juristic derivations” (pp. 151–2). Having examined the latest episode of the debate,<sup>73</sup> and found many commonalities in both the ends and tools of their opposing approaches, he proposes a synthesis that re-envisioning “financial institutions in terms of general agency contracts, as opposed to specific investment agency (*muḍārabah*) contracts” (p. 153): Invoking *wakālah* “as an organizing principle ... is not new” to Islamic insurance and banking practices, El-Gamal reminds (pp. 153–5).

### 3.2.6 THE “ISLAMIC IDEAL IN MUTUALITY”

Chapter 9 expands on the “proposed agency structure, with emphasis on ... mutualization”; which would “reduce governance and regulatory problems to ones for which conventional counterparts are well developed, while ensuring avoidance of ... *ribā* and *gharar*” (pp. 162–3). Mutuality should have been “a natural development” for insurance—El-Gamal argues—“given that jurists sought solutions to the problem of *gharar* ... through noncommutativity of the relationship between insurer and insured in *takāful*,” while agreeing that the essence of *takāful* is “mutual cooperation” (pp. 163–4). The case is bolstered by the favorable evidentiary experience it commands over stockholder insurance (p. 174). The case for banking parallels insurance in its justification, save its deeper historical roots: viz. “the strong [historical] influence of European mutual banking institutions and cooperatives” (p. 163).<sup>74</sup>

“[M]utuality ... can [thus] play an important role in redefining the ‘Islamic’ brand name of Islamic finance” (p. 174). This involves “highlighting a social agenda for improving the plight of Muslims [in poverty],” while integrating mutualized institutions “seamlessly with charitable activities of the Muslim community” (p. 174). In “Beyond *Sharī‘ah* Arbitrage”, El-Gamal concludes by proposing an architecture that embodies *Sharī‘ah* ethics in “positive screens” that supplement “negative screens” (p. 188), and stands on a new institutional base. For inasmuch as Muslim poverty and underdevelopment are religiously caused by “financial disintermediation”, the solution lies in a “Mosque-based network of financial mutuals”, mainly involving: (1) Grameen-like networks of microfinance, “with [the] assistance of institutions such as cash trusts (*waqf*)”, and *zakāh* contributions for subsidizing the poor; and (2) mutual finance networks (in community mosques) that can furnish the local institutional conduits of “high finance” (p. 187).<sup>75</sup>



#### 4. CONCLUSION

In Section 1, I sketched a portrait of what I have called the *fiqhī* economy of classical Islam: It has served as a point of departure and reference for critically overviewing the modern debate on ‘Islamic economics’ and Islamic finance, mainly, the positions of only three doctrinal groups: namely, the Neo-*Taqlīdīs*, and the Neo-*Kalāmīs*: viz. Islamic Modernists and Muslim Secularists.<sup>76</sup> In the following, I only juxtapose some fundamental commonalities and differences in their respective positions, in a number of inter-related general aspects of the subject.

First, all parties locate the market system at the center of the Muslim economy, but their visions of markets vary considerably. Muslim-Secularist critics, like Kuran, advocate free, unregulated markets, what the Nobel laureate Stiglitz (2002) aptly calls market fundamentalism. In contrast, the Reformist-Traditionalist (finance industry) advocates believe that markets should be regulated (for ensuring that transactions are *ribā*-free and *gharar*-free (in a *taqlīdī* sense), via nominate Islamic contracts (synthesized from *fiqhī* and modern models). This approach is criticized by Islamic Modernists on the *fiqhī* grounds of *maqāṣid al-Sharīʿah*. El-Gamal, among others, argues vigorously that the nominate contract approach often lacks the economic substance intended by the classical jurists, a substance that can be recovered by marking to market *à la* Ibn Rushd.

While embodying the Rushdian notion of justice (as fairness), marking-to-market also leads to the Pareto optimality/efficiency of modern neoclassical economics, which presupposes the existence of perfectly competitive markets, beside the absence of a host of market failures not noted by El-Gamal. As well, he does not explicitly define what the economic substance of a market transaction is; although his usage of the term should mean a monetary imputation of the social valuation (consensually assigned to an object of exchange) by the exchange parties as members of a moral socioeconomic community, I think. In an Islamic community, this social valuation should reflect its concept of justice and other Islamic values germane to the transaction; which is obtainable in a market type akin to the socially embedded *sūq* of classical Islam (of section 1 above). Because this Pareto-Rushdian efficiency is complicated by contemporary realities, as well as the human reality of bounded rationality, he proposes adopting a corporate form approach instead: viz. the mutual form of intermediation. Yet, he is not clear about the kind of market to mark to in this Modernist vision of the economy!

This question of market structure and regulation is intimately connected with the broader question of the nature of the community’s

economic system, which is not explicitly addressed, except by conservative critics like Kuran, who advocates essentially an unfettered capitalist system, governed by a mini-state. The Reformist Traditionalists do not object to its capitalistic (profit-driven) nature, provided that its practices are ‘*Sharīah*-compliant’, and the state is “Islamic”, but do not elucidate the latter. By contrast, the Modernist position (like El-Gamal’s) is more complex; but he does not address the political-economy import of the progressive and far-reaching financial restructuring he proposes.

Again, connected with this is the location of the Islamic economy and polity, globally. Neo-conservative Secularist critics (like Kuran) view Islam as a “faulty model of human civilization”: the “Islamic” adjective can only foster a “clash of civilizations”; and modernization can only be a globalized Westernization. By contrast, the Reformist Traditionalists view their *Sharīah*-based model a paradigm for global guidance by Divine Wisdom: an alternative to the self-indulgent, materialist disposition, and the hegemonic inclination, iniquities, and wastefulness of the Secularists’ model. The Islamic Modernists, here again, adopt a synthesizing or intermediate position. With a Universalist bent like the others, they share the moral and spiritual aspirations of the Reformist Traditionalists, albeit on moral grounds, based on the *maqāṣid* criterion of *maṣlaḥah*. Hence, they are not averse to adopting or adapting Western models, still guided by enduring classical insights and wisdom. El-Gamal’s synthetic call, the “Islamic ideal in mutuality” is a case in point.

## ENDNOTES

1. Section (A) is largely distilled from an earlier (2002) unpublished paper, a published elaboration of which, El-Sheikh (2008), is referred to here for full documentation of much of this section.
2. On the nature, structure, and development of Islamic jurisprudence, see the excellent treatise by Hallaq (1997).
3. According to this theory, Allah, being *necessarily* just, only wills what is morally good (*hasan*), and His motive in imposing the Law on His creatures is their benefit (*ṣalāḥ*). The first concept (*hasan*) is the root of *istiḥsān* (seeking the best/most equitable solution), the juristic method of *Ḥanafīs*; the second (*ṣalāḥ*) is the root of *istiṣlāḥ* (seeking the best solution for public benefit) of *Mālikīs*.
4. See, for instance, Abraham Udovitch (1970), especially chapter 7. He concluded this influential study stating: “The prominence of the Muslim

world ... was certainly reinforced by the superiority and flexibility of the commercial techniques available to its merchants,” and that the “institutions, practices and concepts already found fully developed ... did not emerge in Europe until several centuries later” (p. 261).

5. For instance, the terms *ḥasan*, *ṣalāḥ*, *naḥ*, and their cognates pervade the *Qurʾān*: they occur at least 150, 168, and 13 times, respectively, according to the verse listing of Abdel-Baqī (1945). Beyond *uṣūl al-fiqh*, the main schools formulated—for regulating their respective positive laws (*furūʿ*)—a set of principles/rules (*qawāʿid fiqhīyyah*), which incarnate the *uṣūl*’s *maqāṣid* doctrine. For a concise overview of these juristic methods, the doctrine of *maqāṣid*, and its development, see Gleave (2004); Khadduri (1991); and Paret (1990); and on the *qawāʿid*, see Heinrichs (2004).

6. That is serving as criterion for *munāsabah*, the process of identifying the best *ʿillah* (ratio) in any particular ruling (*ḥukm*).

7. The preceding synopsis also serves to highlight a contemporary tendency to hypostatize *Sharʿah* [separating it from its historical (socio-economic, political, and technological) context], which is particularly evident in much of “Islamic economics”: A doctrine I call “Maududi-economics”, given the defining influence therein of Abū al-Aʿlā Mawdūdī (d.1979). On Mawdūdī, see Nasr (1996).

8. This basic point, an old object of contention in Orientalist literature, was examined and conclusively affirmed in recent scholarship, notably by Rodinson (1978).

9. Mandated in many *Qurʾānic* verses (e.g., 7:29, 5:42, 4:135, 57:25, etc.), this doctrine is complemented by another for “distributive justice” that rests on the *Qurʾānic* concepts of *ṣadaqah* and *zakāt*, a complementarity that is highlighted by their juxtaposition in the *Qurʾānic* verses 2:276–277; see the overviews by Weir and Zysow (1995); and Zysow (2002).

10. But the jurists disagreed, mainly on questions regarding the existence of the exchanged countervalues at contracting time, their control, their quantum and specification (in a *genus/differentia* pattern), and generally the future performance of exchange: the risks and uncertainties involved. They generally disagreed over the content and nature of that necessary knowledge, the conditions for securing it, and the implications of their respective views to various types of sale contracts and practices.

11. It is noteworthy that the *Ḥanafī* *‘illah* (fungible measurability in volume or weight), usually justified by *Ḥadīth*, is also indicated by the *Qur’ānic* moral principle of *‘adl qua qist* (e.g. in verses 11:85, 17:35, etc.).

12. It is also called “explicit (*jalī*) *ribā*”. By contrast, *faḍl/buyū‘ ribā* is rendered as *ribā khafī* (hidden).

13. They invoked productive business practices (*‘urf*); and many produced manuals of legal devices (*ḥiyal*) to obviate the prohibition’s deleterious effect on the economy.

14. Quoted in Bianquis, Guichard, Raymond, and others (1997, 787) from al-Ghazalī’s *Ihyā’ ‘Ulūm al-Dīn*, Cairo, 1326, ii, pp. 48ff.

15. On Polanyi’s concept, see Polanyi, Arensberg, and Pearson (1957), notably chapter 13, his article “The Economy as Instituted Process”. The nature of these classical *sūqs*, their structure, institutions, and underlying philosophy of harmony are further elaborated in El-Sheikh (2008).

16. They exhibited an acute understanding of the productive aspects of the “practices and conventions” (*‘ādāt* and *‘urf*) of business, its “implicit contracts”. They exercised *qiyās* to accommodate and regulate the economic facts of life; and when it failed, they resorted to *istiḥsān*, *istiṣlāḥ*, *ḍarūrah*, and *ḥiyal* for remedies.

17. As mentioned above, the socially embedded fora of *bay‘* transactions—given what is known—had functioned efficiently enough to give rise to the ‘superior’ economy of classical Islam, as economic historian Abraham Udovitch (1970) rendered it. Its superiority, however, was not necessarily because the behavior of economic agents was *inherently gharar-free* and *ribā-free*, as is often assumed and construed as *Homo islamicus*. In fact, the safeguards the jurists structured in sale contracts, assumed otherwise. What is known suggests that it is explainable by its efficient and competitive “worldly *sūqs*”. To this, one must add the jurists ‘hereafter’ and ‘political’ *sūqs*, which endowed that economy with its viable legal/institutional framework, and competent economic governance.

18. Udovitch (1985, 451) highlights this critical role of information stating that: “This compulsion for ‘knowing’ and this abhorrence for ‘ignorance’ in economic exchange is both a requirement of Islamic law, an inherent principle ..., and a reflection of the day-to-day transactions in the market place.”

19. On Smith's invisible hand in relation to "self-love" and free, competitive markets, see Vaughn (1987); on their elaboration in the development of the concept of perfect competition in relation to socio-economic efficiency (welfare), see Roberts (1987); and Stigler (1987).

20. The classical *muhtasib* is an outgrowth of the pre-Islamic *ʿāmil al-sūq* (the market inspector): Upon entering Mecca, the Prophet appointed Saʿīd ibn al-ʿĀs to serve as Mecca's *ʿāmil ʿlā al-sūq*; in his city state of Medina, women also served as *ʿāmilah ʿlā al-sūq*; see Bianquis et al. (1997, 787). Called also *ṣāhib al-sūq* and *wālī al-sūq*, the institution was renamed about the time of Caliph *al-Māʾmūn* (d. 218/833), as part of the Islamicization process engineered by the *Muʿtazilah* school under the *ʿAbbasīd*. However, the old name continued in the Maghrib and Spain as they remained under Umayyad rule.

21. Based on a principle of "fidelity" (*amānah*), they varied as regards partners' "agency powers" (*wakālah*) and "surety" (*kafālah*), the scope and nature of investment (capital) shares, profit/risk distribution, and authorized business activities. Those institutions were analyzed and systematized, but again the jurists disagreed on their particulars, as they tried to accommodate current economic imperatives. The *Hanafīs* in particular exhibited an insightful understanding of those imperatives, and their formulations were often economically superior, as Udovitch has shown.

22. In their totality, with *muḍārabah*, *sharikāt* contain the elements of the modern corporation. An interesting aspect of *sharikāt* was the complex and varied concept of the company's "corporate capital", which is formed by *khalt* (mingling) of the (possibly diverse) assets contributed by the partners. Their lack of uniformity prompted the jurists to explore notions of equivalence/valuation (*taqwīm*), an exploration that often revealed acute economic analysis. Another form of "corporate capital" was skilled labor, the basis of labor cooperatives (partnerships: *sharikāt al-ṣanāʿī*), formed for manufacturing. Again their juristic theorizing here reveals a concept of "human capital" that modern economics started to investigate only recently. Moreover, their juristic examination of credit cooperatives/partnerships (*sharikāt al-wujūʿ*) reveals a third concept of "corporate capital" consisting in pooling the business and moral credentials contributed by the partners, a kind of "human/social capital" which qualified those *maḥālīs* (penniless folks) to obtain credit for their business.

23. It does not usually involve a "corporate" capital, but was aptly rendered a "partnership of profit". And indeed this term can be easily construed (in

modern economics) as “common capital”, which can be imputed from the profit shares through capitalization (by means of present-value calculations).

24. But its flexibility and profit/risk distribution rendered it ideal for long-distance and international trade. Not surprisingly, it later became essential to the rise of European trade, and named *commenda*.

25. Umar continued: “We have forsworn things nine tenths of which were permissible, for fear of *ribā*” (Thomas, 2006, 55; my emphasis). After years of grabbling with such questions as: “Is there an essential difference between *ribā* and *fā'idah* [interest]”, El-Sheikh (1999, 76–7) suggested, like some others, that any meaningful answer to such a *fiqhī-economic* question requires “as a ... first step, the mastery of contemporary economic theory ... in its rightful context as it evolved in the womb of Western (Christian) cultural and historical realities”; “only then [and] after deciphering the corresponding Islamic literature”, can the Muslim scholar “apply his/her intellectual faculties (*ʿaql*) and deploy his/her philosophical imagination (*hikmah*) to understand such phenomena [as *ribā/fā'idah*] and theorize about it.”

26. On this perspective on the classical debate and its logical method, see El-Sheikh (2003); they are traced back to what he calls the *Qur'ān's* Meccan and Madinan dialogues.

27. This is regrettable because it contains a valuable survey of the main *sunnī* positions on *ribā*. Fortunately, much of this material is also covered later (by Khalil), in standard terminology.

28. And (3) The “Deuteronomic double standard” which confines the prohibition to “the ‘brotherhood’ of the people of Israel,” but allows charging interest to Gentiles. Viewed as a “positive commandment” by Ibn Maymūn, the double standard “greatly facilitated the expansion of extensive Jewish financial networks” in Islamic Spain, Cornell (p. 17) notes. Indeed it did so throughout the Muslim World, in view of Sharʿah’s legal pluralism, which is not noted.

29. For it was in supporting the interests of German princes, that Martin Luther (d. 1546) invoked the principle of “public interest” in matters of money lending (p. 21); and that the Franco-Swiss John Calvin (d. 1564) cast the final word on Deuteronomy, and “declared as unlawful only the excessive, ‘biting’ usury that is taken by money lenders from the defenseless poor”; leaving “other forms of usury” to be “limited only by conscience”, and “the necessities of public utility” (p. 22). With this verdict, the “Judeo-Christian discussion of usury comes full circle”.

30. For overviews of the lives and work of °Ali and °Abdu, see Schacht (1993) and Toledanos (1993), respectively.

31. See also the overview by Sarah Ansari (1995), among others in this vast body of literature.

32. Thomas and Khan failed to mention Zulfikar Bhutto's democratic implementation of his land reform, progressive taxation, and nationalization programs, as well as his egalitarian slogan "food, clothes, housing," all under his advocacy of Islamization, rendered as "Islamic socialism"; see Esposito (1980, 148–52).

33. It is not even included in Thomas' bibliography: See *Ṭanṭawī* (1990, 157–84). Two errors stand out: (1) the Mufti did not issue "his" *fatwā* "at the request of the Government" as claimed (p. 82), rather of his Azhari colleagues. (2) The Certificates' proceeds do not go to the bank as claimed (p. 84); it only handles them for the government, for financing development plans. Yet, the *fatwā*'s content is reasonably represented: viz. (1) presetting the certificate's yield protects their holders against moral hazards; and neither the *Qur'ān* nor *Ḥadīth* prohibits it; (2) the certificates are deemed either a "lawful *muḍārabah*", or a new beneficial transaction.

34. This question was examined by classical Muslim philosophers and theologians, notably Ibn Sina in his theory of creation; on this see, for instance, Rahim Acar (2005) and Jon McGinnis (2007).

35. Kuran speculates, "Scientifically", on "a causal relationship between Islam and economics". He opposes the thesis of Rodinson (1978) on Islam's "economic irrelevance" to the question with his "economic disadvantage thesis". His Orientalist "mentality"-oriented speculation was originally advanced by Bernard Lewis, as he acknowledges (pp. 137–8).

36. For a path-breaking critique of legal Orientalism, refer to the work of Hallaq, notably Hallaq (1997), and the seminal studies reprinted in Hallaq (1994); and for the original path-breaking critique of Orientalism in general, see Said (1978; 1981; 1994).

37. To the jurists, "He/She who does not apprehend *ikhṭilāf* has not grasped the true scent of jurisprudence" is a foundational juristic maxim



38. See also his earlier research reported in Fischel (1933a; 1933b); also refer to section 1 above.

39. Kuran's list of references, for instance, hardly includes publications of the Association of Muslim Social Scientists, including its (over 25 year old) flagship, the *American Journal of Islamic Social Sciences*, among many others.

40. Other specifics of this rich legacy were brought up by Ebrahim and Safadi (1995), but were dismissed by Kuran (1995) as "peripheral issues".

41. Amin employs a demand/supply framework, and highlights the inhibiting role of the aims and policies of Egypt's British colonial administration.

42. Kuran also served as "group coordinator" in this project of the American Academy of Arts and Science. See the critique by Smith of *Fundamentalism Observed*, edited by Martin E. Marty and R. Scott Appleby, a volume that sets up the theoretical framework of the Fundamentalism Project.

43. To him, those secularists are mere liars: they exemplify "preference falsification" (pp. 6–7).

44. He is fond of using disdainful phrases like "Islam harbors": (e.g. on pp. ix, x, 28, etc.); "Islamic sub-economy", the title and theme of chapter 2; "very primitive" in describing Islamic experience (e.g. pp. 3, 96, etc.).

45. This synthesis also has suffered a severe blow starting in the 1970s. On this point, see Fusfeld (1990), especially chapters 11–12.

46. It consists of four articles: viz. Nasr (1987; 1988; 1989; 1991).

47. "[Their] theoretical and operational predicaments", Nasr (1989) avers, stem from specific doctrinal formulations in Islamic economic ethics, that of identifying *ribā* with the interest-rate institution, while recognizing "the important functions of interest rates as ... essential to the management of an economy" (pp. 520–1). 'Delegating' these to the "profit rate" implicit in the "institution of *mudārabah*", the attempt to operationalize and regulate it has produced approaches fraught with dilemma, whose "most comprehensive remedy" turned out to be *étatisme* (pp. 522–3).

48. He invoked non-existent material, and accused Nasr of promoting a logic of "self-imposed isolation [that] parallels Mawdūdī's [call]"; Kuran (2004,



5); in note 15 on p. 15, he invokes “Nasr (1989), esp. n. 30”, neither of which involve this alleged claim.

49. He adds: it should, second, “inform economics of ethics ... [and] possibly channel any energy [therein] ... into the pursuit of economic prosperity,” and third “Provide its subordinate discipline ... with a worldview, and ... directives [for translating it] ... into efficient and prosperous activity [such that] ... the synthesis of ethics and material livelihood can become rational thought and praxis.” (pp. 176–7).

50. Here, he seems to draw on *Mu‘tazilī Kalām*, saying: “In this regard four major axioms of Islamic ethics shape the premises of an Islamic outlook on economics: unity (*tawhīd*), equilibrium (equity: *‘adl*), freedom (*ikhtiyār*), and responsibility” (pp. 183ff).

51. He illustrates by taking up the neoclassical-equilibrium concept of constrained optimum, “known as ‘optimality constraint’,” sought by its *Homo economicus*; and draws on the work of Chapra, and especially that of Syed N.H. Naqvi (1981; 1981a; 1994), who examined the optimum sought by *Homo islamicus*, rendered as “optimality restraint” (p. 218). One of the rationalist pioneers of Islamic Economics, Naqvi’s work is ignored in the text of Kuran’s book, and referred to only in endnotes 34 on p. 155 and 35 on p. 163, in his characteristically dismissive manner.

52. See their Nobel-Prize lectures: Simon (1978) and Coase (1991), on their conceptual innovations.

53. Being the Averroes of Latin fame, there is a huge body of literature on the work of Ibn Rushd, and on the Latin Averroism. For good surveys and overviews of his work, based primarily on what survived of his original Arabic texts, see R. Arnaldez (1986); Taylor (2005); and Urvoy (1993).

54. The *Bidāyah* page references belong to the edition prepared by S. al-Jaza’iri (Beirut: Resalah Publishers, 2004).

55. The two other misconceptions being: (1) The identification of “the forbidden *ribā*” with ‘interest’ (p. 114); (2) The “definition of *ribā* as any pre-specified percentage earned over a specified period of time” (pp. 115–116). (1) is belied by the *de facto* charging of “interest” practiced in Islamic finance, and not considered *ribā*: e.g. in cost-plus credit-sale, and lease-financing. Underlying this misconception is the claim “that Islam does

not accept the notion of a ‘time value of money’, despite the fact that all eight major schools ... recognize [it]” (p. 114). (2) Is again belied by the “permissible” practices of “credit-sales and leases” (pp. 115–6);

56. In this regard, El-Gamal appropriately invokes (on pp. 118–9) a well-known *Hadīth* that enjoins freeing markets from monopolistic practices.

57. This is also substantiated by a mathematical model, in his earliest paper above.

58. The page references to El-Gamal (2001) belong to the version posted on his website. He adopts a definition by a contemporary authority, M. Al-Zarqā: viz. “*gharar* is the sale of ... items whose existence or characteristics are not certain” (p. 5), and the “four necessary conditions” formulated by another (S. Al-Darīr) “for *gharar* to invalidate a contract.” The *gharar* conditions are: “(1) It must be major ... (2) The ... contract must be a commutative [one] ... (3) The *gharar* must affect the principal components of the contract (e.g. the price and object of sale, language of the contract, etc.) ... (4) ... there is no need met by the contract ... which cannot be met otherwise” (p. 4). The relativistic nature of these conditions—as he points out—is the main reason for the classical *ikhtilāf* on *gharar*. Employing the *maqāṣid* criterion of *maṣlahah*, the jurists’ disagreements, then, stem from varying assessments of the magnitude of *gharar*, and the balance of benefits, likely to ensue from a contract type.

59. The missing “economic substance” can be instilled in the transaction if it is “bundled” with a real asset (e.g. a house) whose price and rental rate provide a market basis for marking (the implicit interest rate) *à la* Ibn Rushd (pp. 56–7). Hence, the classical jurists had painstakingly developed their contract forms, endowing them with appropriate “bundling” devices.

60. They have grown phenomenally in number, varying in size and operational scope within the Muslim World and beyond, including major multinational behemoths.

61. The main national and multinational juristic councils (*majmaʿ*) are Al-Azhar’s IRC, Islamic Research Council/Institute (Cairo; founded in 1961), the Muslim World League (MWL) Council (Makkah; in 1979), and Organization of Islamic Conference (OIC) Council (Jeddah; in 1984). The bank-sponsored *Sharīʿah* organs include the AAOIFI, whose jurists are drawn from the “*Sharīʿah* boards” retained by financial institutions.

62. In the remainder of chapter 2, he focuses on some fundamental classical laws: namely, *māl* (property law); *milk* (ownership law); *shurūṭ* (contract conditions law); and *ḥiyal* (law of legal devices) (pp. 36–45); overviewed above.

63. The additional costs include, besides the cost of juristic, legal, and other professional services, those of the necessary *ḥiyal* (legal devices): viz. special-purpose vehicles (SPVs), etc.

64. The contract was proposed by a scholar, Sami Humud, who argued for using “*murābahah* in a credit sale setting ... , with an added binding promise on the customer to purchase the property” (p. 18). Embraced at the First Conference of Islamic Banks (1979) in a *fatwā* (p. 33), it was synthesized from a classical opinion (of *al-Shāfiʿī*), and an obscure *Mālikī* opinion sanctioning the bindingness of that buyer’s promise to buy (p. 67).

65. Meanwhile, internationally instrumental to Islamic finance, *ṣarf* systematized the exchanges of gold and silver, the exchange-media of the classical economy; but with the extinction of metallic standards, contemporary jurists accepted fiat money, and allowed ordinary *spot* currency-exchange transactions (pp. 68–9). Classical jurists permitted *ʿinah*, provided the property’s sale-repurchase is mediated via a third-party (pp. 70–2). The ‘third party’ is now a contemporary financial intermediary, and the object-of-sale that does not violate *ṣarf*, is still a precious metal, e.g. platinum. This is essentially the content of a recent *fatwā* reported by El-Gamal.

66. These are transactions whose yields are linked to previously issued securities; their primary aim is risk reduction. Common among these contracts is that their ‘object of sale’ does not exist at contracting time.

67. He illustrates by means of “parallel *salam*”. By treating “the *salam*-short [i.e., seller] position as debt for the fungible *salam* object”; a debt that can be forwarded to a third party according to *maqāṣṣah* (debt-clearing) rules. (pp. 83–6).

68. El-Gamal presents two case studies (from the emerging Islamic mutual-fund industry) whereby options-trading is implicitly utilized in these funds’ financial (portfolio) management (pp. 92–4).

69. Generally, it examines the techniques of *Sharīʿah*-compliant *securitization*: viz. the process of transforming illiquid financial assets (e.g.

mortgage loans) into marketable capital-markets instruments (e.g. *ṣukūk*). As El-Gamal notes, the “popularity” of *ṣukūk*, “stems from the existence of [their] underlying physical assets” (p. 97). Finance practitioners have resorted to a variety of devices (e.g. SPVs) in order to meet market demand (for debt securities), and “jurists’ insistence on material ownership of an underlying asset,” while collecting coupon-like payments from Islamized debt instruments (p. 98).

70. These are: (1) property-backed *ṣukūk*, illustrated by *Qatar Global Sukuk*; (2) the (property’s) usufruct-backed *ṣukūk*, illustrated by the issues of the German Saxony Anhalt state, and the Saudi Two-Mosques Housing scheme. He also examines a third type of *ṣukūk*, product of securitizing a salam contract (*ṣukūk al-salam*), issued by Bahrain Monetary Agency, for providing Islamic banks with instruments that facilitate their liquidity management. (pp. 113–6).

71. Screening of the (easily definable) prohibited products is in practice a cumbersome task, as it necessitates “constant monitoring of company activities,” a costly business (pp. 125–6). The “financial screening” of corporate stocks is even more cumbersome; “the most common set”—he notes—“are those of the Dow Jones Islamic Index” (pp. 126–7). He also identifies “dangers” and “paradoxes” arising from its financial-ratio screens: e.g. “[they] create a dilemma for the permissibility of owning shares in Islamic banks,” because they don’t differentiate Islamic from non-Islamic debt instruments (p. 127) He illustrates these “paradoxes” and “dangers” via a statistical “case study on debt screens” (pp. 129–33): viz. Islamic REITS (Real Estate Investment Trusts).

72. The various types of Islamic funds, which are based on the PLS agency model of two-tier *muḍārabah*, “need not be altered, since the Islamic and conventional models ... are virtually identical” (p. 161).

73. It erupted again in 2002 with Ṭaṇṭawī’s above-mentioned *fatwā* on banking, and its counter-*fatwā* (2003) from the MWL’s juristic council. Ṭaṇṭawī’s *fatwā* was issued from “the prestigious Azhar [IRC]..., which deemed ... interest on conventional bank deposits permissible (by characterizing it as a fixed profit rate in investment agency)” (p. 139). He finds Al-Azhar’s *fatwā* problematic as it “ignored the nature of bank assets ... as interest-bearing loans”, yet “the agency argument [it] utilized ... seems eminently useful” (p. 146). Likewise, “two other conflicting *fatāwā* on insurance [*takāful*]”: A recent (2004) *fatwā* by Egypt’s Grand Mufti opposes an earlier one by the OIC council, which ruled (on *gharar* grounds) against conventional

insurance (pp. 147–8). This ruling recommended a “cooperative insurance contract ... built on the principles of voluntary contribution [*tabarruʿ*] and mutual cooperation” (p. 147), while the ‘minimalist’ Egyptian *fatwā* permits “all types of insurance, with minor recommended corrections” (p. 149).

74. Moreover, the fact that mutuals are mostly “non-profit organizations ... ensures that customers ... have access to credit at lower rates,” and renders them akin to “the Islamic ideal enshrined in the prohibition of *ribā*” (p. 173). Yet he does not mention the much older classical Islamic credit cooperatives. He then screens four possible models of banking on prudential criteria, and favors the mutuality model that characterizes credit unions, mutual saving banks, and similar thrift institutions (pp. 167–70).

75. Besides, (3) the “multinational and indigenous banks can perform their social function by training religious leaders and community members” in efficiently running their mutual institutions, besides “pooling [their] credit and insurance instruments ... for placement with socially conscious investors worldwide” (pp. 187–188). The other axial dimension of the base builds on the asset-based *ṣukūk* structures. Besides their economic virtues of curtailing the risk of default, and supplying an efficient benchmarking tool for *ṣukūk* interest, those structures can also yield additional “macroeconomic substance” if deployed in facilitating privatization programs, El-Gamal proposes (p. 186). He should have added another *macroeconomic* function for the “privatization *ṣukūk*”: they can also serve as instruments for the monetary agency’s conduct of monetary policy. Moreover, objectively, he should also have added another important, developmental role in which “development *ṣukūk*” would facilitate the opposite of privatization. This type of *ṣukūk* can underwrite the entrepreneurial role of the state, which has been instrumental in the successful industrial development of many countries, notably Japan, which also adopted a policy of the eventual privatization of the state’s industrial ventures.

76. That is: (1) The Reformist-Traditionalist advocates in Thomas’ volume (the Thomas- Delorenzo position); (2) the radical Muslim-Secularist critics, mainly (Neo-conservative) Kuran; and (3) the Islamic Rationalists/Modernists, mainly Chapra, Nasr, and El-Gamal. The “portrait”—it is recalled—comprised its philosophy of social harmony, and related doctrine of justice (*ʿadl qua qist*), as well as its micro- and macro-economic institutions, and their underlying doctrine of socially embedded markets (*sūqs*).

## REFERENCES

- Abdel-Baqi, M.F. *Al-Mu'jam Al-Mufahras Li Alfāz Al-Qur'ān Al-Karīm (Concordance of Terms of The Glorious Quran)*. Cairo: Dar Al-Sha'b Press, 1945.
- Acar, Rahim. *Talking about God and Talking about Creation: Avicenna's and Thomas Aquinas' Postions*. Leiden: E.J. Brill, 2005.
- Al-Shātibi, Abū Ishāq. *Al-Muwafaqāt fī Uṣūl al-Sharī'ah (The Concordancies in the Fundamentals of Sharī'ah)*, edited by M. al-Iskandarani and A. Darweesh. Beirut: Dār al-Kitāb al-'Arabi, 2006.
- Amin, G.A. "Seventy-Five Years of Economic Thought in Egypt." In *The Development of Social Science in Egypt, Cairo Papers in Social Science* 18, No. 3 (1995): 2-17.
- Ansari, Sarah. "Pakistan." *Encyclopaedia of Islam, New Edition*. Vol. VIII (1995): 240-44.
- Arnaldez, R. "Ibn Rushd." *Encyclopaedia of Islam, New Edition*. Vol. III (1986): 909-20.
- Bianquis, Th., P. Guichard, A. Raymond, and others. "Sūq." *Encyclopaedia of Islam, New Edition*. Vol. IX (1997): 786-801.
- Chapra, M.U. "The Prohibition of *Riba* in Islam: An Evaluation of Some Objections." *American Journal of Islamic Social Sciences* 1, no. 2 (1984): 23-42.
- . "Correspondence: Islamic Economics and the Islamic Subeconomy." *Journal of Economic Perspectives* 10, no. 3 (1996): 193-95.
- Coase, Ronald H. *The Institutional Structure of Production* The Nobel Foundation, 1991.
- Dar, H.A., and J.R. Presley. "Lack of Profit Loss Sharing in Islamic Banking: Management and Control Imbalances." Paper presented at *ERF Sixth Annual Conference*, Economic Research Forum, Cairo, 1999.
- Ebrahim, M.S., and A. Safadi. "Behavioral Norms in the Islamic Doctrine of Economics: A Comment." *Journal of Economic Behavior and Organization* 27 (1995): 151-7.
- El-Gamal, M.A. "An Economic Explication of the Prohibition of *Riba* in Classical Islamic Jurisprudence." *Proceedings of the Third Harvard University Forum on Islamic Finance*. Cambridge, MA: Centre for Middle Eastern Studies, Harvard University (2000).
- . "An Economic Explication of the Prohibition of *Gharar* in Classical Islamic Jurisprudence." *Islamic Economic Studies* 8, no.2 (2001).
- . "Limits and Dangers of Shari'a Arbitrage." In *Islamic Finance: Current Legal and Regulatory Issues*, edited by S. Ali. Cambridge, MA: Islamic Finance Project, Harvard law School, 2005.

- . *Islamic Finance: Law, Economics, and Practice*. Cambridge, U.K.: Cambridge University Press, 2006.
- El-Sheikh, Salah. "The Moral Economy of Classical Islam: A FiqhiConomic Model." *The Muslim World* 98, no. 1 (2008): 116-44.
- . "*al-Mujādalāh* and *al-Mujādilah* Then and Now: *Kalām*, Dialectical Argument, and Practical Reason in *al-Qur'ān*." *The Muslim World* 93, no. 1 (2003): 1-50.
- . "Sirat Mustaqim and Hikma: A Quranic View of Socioeconomic Behaviour, Economic Discourse and Method." *The American Journal of Islamic Social Sciences* 16, no. 2 (1999): 55-87.
- Esposito, John L. "Pakistan: Quest for Islamic Identity." In *Islam and Development: Religion and Sociopolitical Change*, edited by J.L. Esposito, 139-62. Syracuse, N.Y.: Syracuse University Press, 1980.
- Fischel, W. "The Origin of Banking in Mediaeval Islam: A Contribution to the Economic History of the Jews of Baghdad in the Tenth Century (Parts I - IV)." *Journal of the Royal Asiatic Society* (1933a): 339-52.
- . "The Origin of Banking in Mediaeval Islam: A Contribution to the Economic History of the Jews of Baghdad in the Tenth Century (Part V)." *Journal of the Royal Asiatic Society* (1933b): 569-603.
- . "*Djahbadh*." *Encyclopaedia of Islam, New Edition*. Vol. II (1983): 382-3.
- Fusfeld, Daniel R. *The Age of the Economist, Sixth Edition*. Glenview, Illinois: Scott, Foresman and Company, 1990.
- Geertz, C. "Suq: The Bazaar Economy in Sefrou." In *Meaning and Order in a Moroccan Society*, edited by C. Geertz, H. Geertz, and L. Rosen, 123-313. Cambridge: Cambridge University Press, 1979.
- . "Local Knowledge: Fact and Law in Comparative Perspective." In *Local Knowledge: Further Essays in Interpretive Anthropology*, edited by C Geertz, 167-234. New York: Basic Books, 2000.
- Gleave, R. M. "*Makāsīd al-Shari'a*." *Encyclopaedia of Islam, New Edition*. Vol. XII (2004): 569-70.
- Hallaq, Wael B. *A History of Islamic Legal Theories: An Introduction to Sunnī Usūl al-Fiqh*. Cambridge, U.K.: Cambridge University Press, 1997.
- . *Law and Legal Theory in Classical and Medieval Islam*. Variorum Collected Studies Series. Brookfield, Vermont: Ashgate Publishing Company, 1994.
- . "On the Authoritativeness of Sunni Consensus," *International Journal of Middle East Studies* 18 (1986): 427-54. (Reprinted with an addendum in Hallaq (1994)).
- Heinrichs, W.P. "*Kawā'id Fikhiyya*." *Encyclopaedia of Islam, New Edition*. Vol. XII (2004): 517-18.



- Hourani, G.F. "The Basis of Authority of Consensus in Sunnite Islam." *Studia Islamica* 21 (1964): 13-60.
- Ibn Khaldūn, 'Abd-ar-Rahman. *The Muqaddimah: An Introduction to History* (Translated by Franz Rosenthal; abridged and edited by N.J. Dawood). Princeton, N.J.: Princeton University Press, 1974.
- Ibn Rushd, Abu 'l-Walīd Muhammad. *Bidāyat al-Mujtahid wa Nihāyat al-Muqtasid (A Departure Point of the Striving Jurist and the Destination for the Earnest Seeker [of Shari'a Goals])*, edited by S. al-Jaza'iri. Beirut: Resalah Publishers, 2004.
- . *Fasl al-Maqāl wa Taqrīb mā bayn al-Shari'a wa 'l Hikma min al-Ittisāl (A Decisive Discourse and the Converging Bonds between Shari'a and Philosophy)*, edited by G.F. Hourani. Leiden: E.J. Brill, 1959.
- Khadduri, M. "Maslaha." *Encyclopaedia of Islam, New Edition*. Vol. VI (1991): 738-740.
- Khan, M. "A Comment on the Notion of Economic Justice in Contemporary Islamic Thought." *International Journal of Middle East Studies* 22 (1990): 375-77.
- Kuran, T. *Islam and Mammon: The Economic Predicaments of Islamism*. Princeton, N.J.: Princeton University Press, 2004.
- . "Correspondence: Response from Timur Kuran." *Journal of Economic Perspectives* 10, no. 3 (1996): 195-96.
- . "Further Reflections on the Behavioral Norms of Islamic Economics." *Journal of Economic Behavior and Organization* 27 (1995): 159-63.
- . "Islamic Economics and the Islamic Subeconomy." *Journal of Economic Perspectives* 9 (1995a): 155-73.
- . "On the Notion of Economic Justice in Contemporary Islamic Thought." *International Journal of Middle East Studies* 21, no. 2 (1989): 171-91.
- . "The Economic System in Contemporary Islamic Thought: Interpretation and Assessment." *International Journal of Middle East Studies* 18 (1986): 135-64.
- . "Behavioral Norms in the Islamic Doctrine of Economics: A Critique." *Journal of Economic Behavior and Organization* 4 (1983): 353-79.
- McGinnis, Jon. "Review of R. Acar's *Talking about God and Talking about Creation* (Leiden: E.J. Brill, 2005)." *International Journal of Middle East Studies* 39 (2007): 291-92.
- Naqvi, Syed Nawab Haider. *Ethics and Economics: An Islamic Synthesis*. Leicester: Islamic Foundation, 1981.
- . *Individual Freedom, Social Welfare and Islamic Economic Order*. Islamabad: Pakistan Institute of Development Economics, 1981a.



- . *Islam, Economics, and Society*. London: Kegan Paul International, 1994.
- Nasr, Seyyed Vali Reza. "Toward a Philosophy of Islamic Economics." *Muslim World* 77 (1987): 175-96.
- . "Whither Islamic Economics?" *Islamic Quarterly* 30 (1988): 211-20.
- . "Islamic Economics: Novel Perspectives." *Middle Eastern Studies* 25 (1989): 516-30.
- . "Islamization of Knowledge: A Critical Overview." *Islamic Studies* 30, no. 3 (1991): 387-400.
- . *Mawdudi and the Making of Islamic Revivalism*. New York: Oxford University Press, 1996.
- Paret, R. "Istiḥsān and Istislāḥ." *Encyclopaedia of Islam, New Edition*. Vol. IV (1990): 255-59.
- Polanyi, Karl, C.M. Arensberg, and H.W. Pearson, Eds. *Trade and Market in the Early Empires: Economics in History and Theory*. London: Collier-Macmillan, 1957.
- Roberts, J. "Perfectly and Imperfectly Competitive Markets." *The New Palgrave: A Dictionary of Economics*, Vol. 3 (1987): 837-41.
- Rodinson, Maxime. *Islam and Capitalism* (Translator Brian Pearce). Austin: University of Texas Press, 1978.
- Said, Edward W. *Orientalism*. New York: Vintage Books, 1979.
- . *Covering Islam: How the Media and the Experts Determine How We See the Rest of the World*. New York: Pantheon Books, 1981.
- . *Culture and Imperialism*. New York: Vintage Books, 1994.
- Schacht, J. "Muhammad 'Abdu." *Encyclopaedia of Islam, New Edition*. Vol. VII (1993): 418-20.
- Simon, Herbert A. *Rational Decision Making in Business Organizations*. The Nobel Foundation, 1978.
- Smith, J. I. "Fundamentalism Observed, edited by Martin E. Marty and R. Scott Appleby (The Fundamentalism Project, Vol. 1): A Review." *Middle East Studies Association Bulletin* 28 (1994): 169-72.
- Stigler, G.J. "Competition." *The New Palgrave: A Dictionary of Economics*, Vol. 1 (1987): 531-6.
- Stiglitz, J. *Globalization and Its Discontents*. London: Penguin Books, 2002.
- Tantawi, M. S. *Mu'āmalāt al-Bunūk wa Ahkāmuhā al-Shar'īyyah (Banking Transactions and Their Shari'ah Rulings)*. Cairo: al-Saada Press, 1990.
- Taylor, Richard C. "Averroes: Religious Dialectic and Aristotelian Philosophical Thought." In *The Cambridge Companion to Arabic Philosophy*, edited by P. Adamson and R.C. Taylor, 180-200. Cambridge: Cambridge University press, 2005.

- Thomas, A., Ed. *Interest in Islamic Economics: Understanding Riba*. London: Routledge, 2006.
- Toledano, E.R. "Muhammad 'Ali Pasha." *Encyclopaedia of Islam, New Edition*. Vol. VII (1993): 423-31.
- Udovitch, Abraham L. *Partnership and Profit in Medieval Islam*. Princeton, N.J: Princeton University Press, 1970.
- . "Islamic Law and the Social Context of Exchange in the Medieval Middle East." *History and Anthropology* 1 (1985): 445-65.
- Urvoy, Dominique. *Ibn Rushd (Averroes)*, translated by O. Stewart. Cairo: American University in Cairo Press, 1993.
- Vaughn, K.I. "Invisible Hand." *The New Palgrave: A Dictionary of Economics*, Vol. 2 (1987): 997-9.
- Weir, T.H., and A. Zysow. "Sadaka." *Encyclopaedia of Islam, New Edition*. Vol. VIII (1995): 708-16.
- Zysow, A. "Zakāt." *Encyclopaedia of Islam, New Edition*. Vol. XI (2002): 406-22.