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Theology and ethics in Adam Smith: A case for Islamic Economics

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Abstract: This study is an analysis of the theological and ethical dimensions in the writings of Adam Smith. It deals with aspects of philosophy and intellectual history. By revealing the theological and ethical roots of Smith's writings in the formation of modern economics, arguments for an economics that is based on Islamic foundations become stronger. The study will therefore lay out the basic moral project of Smith and then contextualize it in the Western Enlightenment tradition. It shows how religious discourses were instrumental in shaping the thoughts and ideas of Enlightenment in general, and economics in particular. The study will then give a brief overview of traditional Islamic theology and ethics in order to give directions for future research.

Keywords: Adam Smith, Foundations of Islamic Economics, Theology, Ethics.

Abstrak: Kajian ini ialah sebuah analisis ruang teologi dan etika daripada tulisan-tulisan Adam Smith. Ia berkisar tentang aspek falsafah dan sejarah intelektual. Dengan mendedahkan akar teologi dan etika dari tulisan-tulisan Smith dalam penyusunan ekonomi moden, hujah-hujah untuk ekonomi yang berasaskan asas-asas Islam menjadi semakin kuat. Kajian ini makanya akan meletakkan projek asas moral oleh Smith dan kemudian mensemasakannya ke dalam tradisi 'Western Enlightenment'. Ia membuktikan bagaimana wacana keagamaan adalah penting dalam membentuk pemikiran dan idea 'enlightenment' secara umumnya, dan ekonomi khususnya. Kajian ini

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akan seterusnya memberikan ulasan ringkas tentang teologi dan etika Islam tradisional demi menyediakan arah tuju untuk kajian di masa hadapan.

Kata Kunci: Adam Smith, Asas Ekonomi Islam, Teologi, Etika.

1. Introduction

Adam Smith is acclaimed as the "Father of Economics". This is for his monumental work *An Inquiry into the Nature and Causes of the Wealth of Nations* published in 1776. Yet he was not the first to discuss economic matters, nor was he the first to undertake a systematic study of the subject. In fact, he rarely used the term 'economy' in his works. Being a professor of logic and moral philosophy, his most original contribution to economics was his ability to bring together various aspects of economics under a "unifying concept of a coordinated and mutually interdependent system of cause and effect relationships" through which economic systems can be elaborated (Viner, 1927). He thus laid down the foundations for a separate discipline of knowledge which was previously discussed under theology, politics or moral philosophy.

His first book, *The Theory of Moral Sentiments* (hereafter as *TMS*)[1], dealt with human nature on a broad scale. It aimed at a theory of the origins of moral principles by invoking human 'sentiments', particularly sympathy and the process of imagination. From it arose a system or order of nature that promoted the welfare of man through divine providence and individual liberty. *The Wealth of Nations* (hereafter as *WN*)[2] which came after it was narrower in scope, focusing on economic order that is derived from the harmony found in nature. Through his analysis of the market, he came to the conclusion that interests of the agents dominated 'economic' relations due to the anonymity of 'social' relations between these agents. But provided that the rules of justice are enforced, these economic relations can generally lead to harmony of objectives in the market.

Adam Smith today is a contested figure in economics. For neo-classical economists, he is a champion of *laissez-faire* and a guru of self-interest. When economists like George Stigler and Milton Friedman make the claim that "self-interest dominates the majority of men", they assert their position as being on "Smithian lines". On the other end of

the spectrum, people like Amartya Sen have alluded to the strong ethical foundations in the writings of Smith that have been largely ignored by economists (Sen, 1999). For the latter, Smith's outlook revealed sympathy as the dominant aspect of human nature that keeps self-interest in check.

The chief inquiry of Smith was on how to reconcile individual interests with that of the progress of society. Theology and religious belief of a particular nature played an important role in this process of reconciliation and could explain his invoking of the 'Invisible hand' to overcome the difficulty of harmonizing liberty and ethics. Regarding his theological stance, there are strong arguments showing Smith's agnostic inclinations (Smith, 1880; Smith et al., 1795; Kennedy, 2013, p. 468). Despite this, there are forty-one references to God and Deity in the *TMS* (although none of these refer to the Trinity). Some of them are striking, given the secular credentials attributed to Smith in today's economics:

> "The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the Author of nature, when he brought them into existence. No other end seems worthy of that supreme wisdom and divine benignity which we necessarily ascribe to him; and this opinion, which we are led to by the abstract consideration of his infinite perfections, is still more confirmed by the examination of the works of nature, which seem all intended to promote happiness, and to guard against misery" (*TMS*, III.5.7).

> "The administration of the great system of the universe, however, the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country" (*TMS*, VI.ii.3.6).

> "Our happiness in this life is thus, upon many occasions, dependent upon the humble hope and expectation of a life to come: a hope and expectation deeply rooted in human nature; which can alone support its lofty ideas of its own dignity… That there is a world to come…is a doctrine, in every respect so venerable, so comfortable to the weakness, so flattering to

> the grandeur of human nature, that the virtuous man who has the misfortune to doubt of it, cannot possibly avoid wishing most earnestly and anxiously to believe it" (*TMS*, III.i.40).

These three quotes betray the unmistakable traits of a "natural theology". This Natural theology involves a divine order that is often synonymous with Nature (with a capital N). Nature is an embodiment of the order that God implanted in His creations. How this order was implanted is a question of metaphysics that is often sidestepped in this theology. Rather, this order is taken to be a given and as a manifestation of God.

In moral philosophy, natural theology invariably leads to a moral system where humans naturally form moral communities. The emphasis on the natural is to imply that humans have natural possibilities within them to form these moral communities, and does not imply that they inevitably will form these. The task of moral philosophy is to understand this natural process and then help in its realization. Smith, along with the others of the Scottish Enlightenment, worked under this framework of an accepted moral order. His ethics also followed this tradition, where he attempted to lay out the ethical possibilities of humans. His inquiry was not whether humans are selfish or benevolent, but rather what makes humans selfish or benevolent; in other words, what makes virtue possible (Mehta, 2006, p. 248).

This paper seeks to lay out a broad and general illustration of Smith's project in order to bring out its theological and ethical dimensions. The purpose of this illustration is to show the influence of theology or religion in the formation of what is today considered a purely secular science. It is only by analyzing its foundations or roots that the science of economics can be better comprehended in a different worldview. Once this is done, Islamic Economics is in a better position to build an alternative framework. As such, the second section of this paper will elaborate Smith's thoughts. The third section will then contextualize his project within the broader project of Enlightenment. The fourth section will then give a brief overview of theological and ethical discourses within classical Islam. The aim is to provide prospects for future research in Islamic economics.

2. Smith's Project of Moral Philosophy

This section will attempt to delineate the moral philosophical project of Smith that starts with the *TMS* and culminates in the *WN*. It will begin by explaining his understanding of human nature and then move on to the aspect of ethics, within which the issue of economic exchange arises.

Smith's analysis of moral philosophy starts from human passions. The innermost and basic foundations of human morality, to him, are dictated by these passions. It is natural that humans have a preference for their own happiness over that of others. He is "principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so" (*TMS*, II.ii.2.1). Yet, the prime argument of *TMS* is to the contrary. "However selfish so ever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (*TMS*, I.i.1.1).

2.1 Sympathy

How does he explain this phenomenon? Smith argues for a capacity called "Sympathy" in humans that stimulates or arouses fellow-feelings for others. Sympathy is like a mechanism that brings up passions in humans, both positive and negative, in the course of interaction and socialization. It is a force that attempts to translate all human feelings from one person to another and is based on the capacity to imagine the situation or circumstance of others.

We constantly imagine the situation of others when we interact with them. We try to perceive the sentiments or passions that others have towards a situation. It brings us pleasure when we observe that we share the same sentiments or emotions with them. This pleasure induces us to approve of the sentiments that the other is currently having, a process that Smith calls "mutual sympathy". Similar to it is the lack of mutual sympathy when, to our displeasure, we find that the others do not have the same emotions or sentiments to a given situation they are confronted with. And therefore, we disapprove of it (Morrow, 1927).

To Smith, this is the basic model of how humans arrive at moral judgments. It is very much within the tradition of utilitarianism, where

pleasure and pain are the underlying bases. Yet this pleasure and pain is based on the feelings and sentiments of others, making it essentially social in nature. Human morality therefore becomes a product of social experiences through the working of sympathy. Social interactions provide a mirror for us to internalize the existing norms and values of the society and to see the reflection of our acts (Muller, 1995, p. 104). Sympathy then becomes a process or a mechanism naturally disposed in man from which we derive our notion of self and develop the faculty of conscience. They produce sentiments in us, which are the "affection of the heart, from which any action proceeds" (*TMS*, II.i.2)

He tries to explain the idea of conscience through his concept of "impartial spectator". In the process of sympathy, we make moral judgements by subconsciously imagining an "impartial spectator… within our breasts" (*TMS*, III.i.2). This impartial spectator can make judgements of approval or disapproval about our own sentiments and about those of others as well. We play the dual role of sentimental agents of actions as well as the spectators of those actions. Moral judgements therefore become reflexive or a dialogue between an agent and spectator(s). The process of sympathy entails not just imagining the situation of others, but imagining oneself to be in the other's situation. It invokes in us feelings for others and in that process generates feelings of 'mutual sympathy' in us. We desire or experience the need to empathize with the situation of others. But more importantly, we also crave the sympathy of others with our fortunes and misfortunes (Peil, 1999, p. 84).

Through this process of sympathy, Smith brings in his theory of virtues. Based on the desire for sympathy and the resulting pleasure that arises from it, society generates its rules, customs, traditions and cultures. These create a set of virtues that the society expects from its inhabitants. The implication is that each society engenders its own set of virtues based on its social experiences. A martial society will observably consider chivalry as one of the highest virtues. Similarly, a commercial society (that Smith was part of) will have its own categories of virtues, like the virtue of prudence. But beneath this relative stance, Smith claims that all virtues spring from the virtue of self-command – "the most perfect knowledge, if not supported by the most perfect self-command, will not enable him to do his duty" (*TMS*, VI.iii.1).

Smith then puts forward three virtues that he feels are consistent with the nature of commercial societies- prudence, benevolence and beneficence. In his exposition of these virtues, he explains how the first two virtues are concerned with propriety, i.e. the proper manner that an agent is supposed to act. Only two parties are involved in this moral situation – the agent and the recipient(s). With beneficence, the issue is not just confined to whether the act was proper, but it also has to consider if the act deserves merit. An example is the 'perspective' of a judge who has to deliberate not just about the act of an accused, but also consider the damage sustained by the victim. Through this differentiation between propriety and merit in morality, Smith brings in what he considers the cardinal virtue for any society – justice.

2.2 Justice

By introducing the concept of merit in ethical judgements, Smith arrives at the issue of injury or injustice. The impartial spectator would react to an injustice through "a direct antipathy to the sentiments of the agent, and an indirect sympathy with the resentment of the sufferer" (*TMS*, II.i.5). Smith is identifying the passion of resentment as the origin for our notion of injustice. By tracing the origins of justice in passions and then linking it to the legal notions of reward and punishment, he was trying to find a sentimental basis for his theory of jurisprudence instead of a rational or utilitarian one (Simon, 2013, p. 401). Jurisprudence, as a result, becomes part of ethics.

Scottish territories historically had better links to the Natural Roman Law, particularly the jurisprudence of Hugo Grotius, as opposed to the English Law. Justice, in this tradition, is very much connected with the notion of injury.[3] Smith follows this tradition in assigning rights as the central concern and classifies two types of rights: natural and acquired. Natural rights are applicable to our body and reputation while acquired rights apply to what Smith terms as 'estate', which in general meant property. The former are those that are innate to human beings while the latter are historically determined. While Smith delves into the intricacies of natural rights in *TMS*, this paper will look more closely at his exposition of acquired rights, or historical jurisprudence, due to its link with economics.

Smith distinguished four stages in history on the basis of property relations. These were the stages of primitive (hunters), pastoral

(shepherds), agrarian and commercial. In this theory, the historical progression is linear but not always in one direction. These stages have their own particular form of institutions and values which affect their laws and property rights. The origins of this historical method can be traced to the works of Hugo Grotius, who wrote that after the Fall of Man, God conferred on him a 'general right over things of a lower nature'. Whatever was in the possession of someone cannot be taken except by an unjust act. This was a feature of civil law, where the right to property is a right against others. In the early stages, it is simple possession. But with advancement in stages, it expands beyond mere possession to property through agreements or contracts (Salter, 2010). Smith agreed with the proposition that property rights are natural but later become conventional through contracts. But he divorced this understanding from the theological basis of the will of God. Rather, he based it on human sentiments driven by the desire of social recognition.

Smith's theory of history subscribes to the belief that nature had implanted in humans certain instincts that would drive them to the intentions of the Divine. In this case, these instincts are the propensities to "better one's condition" and to "truck, barter and exchange". It showed how societies progress towards civility by isolating certain elements for analysis. These were the concepts of property and its relation to power in society, human subsistence and the relationship between law and customs. From this historical narrative, he delineated the advent of commerce as the highest stage of historical evolution.

2.3 Wealth – Nature and Causes

Smith's systematic study of economics is predominantly found in *WN*. But his economic analyses are rooted in the framework of human nature and theory of history, as explained above. By linking jurisprudence to ethics and then locating political economy within historical jurisprudence, Smith derived economics in its modern sense. Yet his exposition of historical jurisprudence was also grounded in the workings of sympathy. Smith had shown how humans, in their sympathetic processes, have a propensity to be concerned about the esteem and approval of others in the society. From this, he arrives at his principal maxim in the *WN* – that humans have an innate desire to "better one's condition" (*WN*, II.iii.36). Herein lays our key motivation

for the pursuit of wealth, which would win over any "study of wisdom and the practice of virtue" (*TMS*, I.iii.3.2).

Humans are basically helpless in supporting their own life and depend considerably on others. It is generally through the strategy of interest or bargaining, rather than through begging, that we seek the assistance of others for our subsistence (Kennedy, 2008). We stand with more chances of gaining if we can show the other what they gain by cooperating with us – "Give me that which I want and you shall have this which you want" (*WN*, 26). We appeal to their needs when we bargain, as opposed to our needs when we beg. Thus, the propensity in humans "to better their condition" makes them "truck, barter and exchange" (*WN*, 26). This propensity to exchange gradually leads society to divide its labor, in order to be more productive and better off. This generates the process of division of labor and gives rise to the institution of markets in society – "The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity and judgement . . . seems to have been the effects of the division of labour" (*WN*, 13). "This division of labour…is the necessary, though very slow and gradual consequence of a certain propensity in human nature . . . to truck, barter and exchange one thing for another" (*WN*, 25).

As the market expands by linking more individuals and widening their geographical reach, the division of labour becomes more rapid and efficient and creates greater wealth in the society. The result is "proportionable increase in the productive powers of labour" (*WN*, 15), leading to progression in Smith's stages of history. Each higher stage has a higher composition of division of labour which results in proportionally more wealth to its subjects. The lifestyles therefore become considerably different in each stage as a result of more wealth. Consequently, in commercial societies with high degrees of industry and improvement, the work that used to be done by one man in 'rude' societies, is now done by many who divide the work among them. It results in quantitatively and qualitatively better products, leading to higher wealth and opulence (Kennedy, 2008). For Smith, greater wealth

and progress is possible only through 'perfect liberty' of humans; any violation of this liberty is at the expense of wealth and progress (Muller, 1995, p. 95).

In chapter four of *WN* entitled "Of the origin and use of Money," he argues that if barter form of exchange had subsisted, the process of division of labour would have greatly slowed down. But the introduction of money facilitated exchange processes and further enhanced division of labour. Money, which "has become in all civilized nations the universal instrument of commerce" (WN, I.iv.11), is very much linked to the concept of value and as such the next logical step was to examine this concept. Smith classifies value into use value and exchange value and then goes on to mention that the concern of *WN* is with the second type of value. One of his most enduring influences was his argument that labour is the real measure of exchange value. In other words, labour is the source of this value. The "natural" price of a commodity would reflect this value. At each stage of economy, this 'natural' price refers to the lowest price that it can be produced and made available for an extended period of time. It consisted of the ordinary and average rate of wage, rent and profit of the society. It reflects "what it really costs the person who brings it to the market . . . where there is perfect liberty" (*WN*, 72). Thus, natural price is, in fact, what it ought to be sold at.

In actuality though, prices often deviate from the natural rate. This could be due to natural circumstances or due to human distortions. The actual rate at which a commodity is sold in the market is called the "market price". This price is determined by the forces of demand and supply, the quantity demanded at a particular time and quantity supplied in the market. Prices in the market act as signals for buyers and sellers, keeping them informed about the supply and demand of a commodity (Muller, 1995, p. 74).

This, in essence, is the general and broad picture of Smith's economic project. In this analysis of the nature and causes of wealth, Smith started from a general understanding of human nature and then emphasized certain characteristics that were dominant in the economic domain. Production was the prime focus and was explained through the concepts of division of labour and specialization. The focal point of analysis was the commercial society, with its particular social and ethical underpinnings. It is in this context of commercial society that

he takes up the issues of mercantilism, liberty and civil society. He also goes on to criticize some features of this society and suggests certain reforms. The harmful effects of division of labour in making people submissive and obsequious, the alienation and anxiety that the pursuit of wealth creates in us and the morally reprehensible characteristic of duplicity that trade sometimes stimulates are all criticized and appraised.

3. The Context of Smith's Project

Having explained the system of economics that Smith elucidated, this section seeks to contextualize Smith within the broader Enlightenment project with the aim of historicizing the reasons that precipitated the formation of modern economics in his writings.

The age of Adam Smith was that of a society that was feudal but evolving towards a commercial society. His thinking highly engaged with the progressive ideas of that time as well as with the philosophical tradition that preceded modern thought. This intellectual context was deeply rooted in the Enlightenment project with its sincere faith in the ability of human reason to change the world towards good. It called for increasing individual independence and more freedom of thought, linking the Enlightenment with liberal ideals. Added to that was the secularizing tendency, mainly due to the revolt against the power of the church that was hindering this freedom. Inquiry and analyses began not from Divine order or revelation, but from human nature in order to arrive at laws or patterns of order (Peil, 1999, p. 41). At the intellectual level, a distinctive feature of modernity or Enlightenment was its denial of any sort of natural hierarchy. This was equally true in ethics as well as in physics. Copernican revolution and subsequent advancement in the field of natural sciences, particularly with the likes of Newton and Descartes, brought new challenges and questioned the scholastic tradition prevalent in Europe then.

A particular movement within Enlightenment, heavily informed by an Augustinian theology, sought a "re-Christianization of knowledge that had been corrupted by pagan Aristotelianism" (Harrison, 2011, p. 78). Foremost among them was Francis Bacon (1561-1626 A.D.), who tried to bring the Augustinian notions of the Fall and Original Sin into the theory of knowledge and human progress. As a result of this Original Sin that had tarnished human nature, the intellectual faculties of humans were believed to be deeply flawed. He therefore argued for

an experimental approach to knowledge, based mainly on observation rather that deduction or logical methods. This involved rigorous and repeated experimentation and, more significantly, encouraging the use of instruments to counteract inherent human flaws (Harrison, 2011). It was no more about understanding the laws of the universe so that they could be obeyed; rather it was for mankind to gain dominion over nature that was lost due to the Fall. He emphasized the importance of instincts and psychological motivations in understanding human attitudes and social behaviours. Mechanical reactions of the mind to outside stimuli were observed and studied to come up with a general theory of society (Pribram, 1983, p. 56). It contributed in the end to the rise of a mechanistic view of the universe along with the idea that good and bad are subjective to the will of the individual and not inherent in nature.

In the areas of politics and human sciences, the renewed Augustinian sensibilities were manifested in theories that rejected the state as something natural; and the conception of 'sinful' humans as essentially self-interested or egotistic. The state "mechanisms" were thus not natural, but a necessity that had to be constructed to "rein in these sins" (Harrison, 2011, p. 80). Thomas Hobbes (1588-1679 A.D.) took its political implications to its logical conclusions. He endeavoured to connect all social situations to psychological factors by attempting to reach the most essential and basic state of human nature. Man was conceived as essentially egotistic with three main instincts: the instinct of self-preservation, the need for security and the lust for power. This methodological individualism gave no place for innate moral virtues in humans and thus, a picture of society where each man cannot avoid being at war with another man emerged in his writings (Pribram, 1983, p. 62).His introduction of the concept of scarcity into social analysis and rejection of any teleological notions to nature was crucial, ushering in a utilitarian methodology (Gray, 1995).The discussions turned towards theories of 'containing' self-interest and channelling them for socially acceptable outcomes, rather than overcoming them (Oakley, 1994).

John Locke (1632-1704 A.D.) carried this trend further in some regards, through his complete rejection of the idea of inherent goodness in nature. He argued that humans are not in any way attuned to the good through any rational or desiderative propensity. Rather, he argued that good and evil are relational to the experiences of pleasure and pain. He provided the systematic grounds for articulating this philosophy, which

was very much grounded in the Puritan theology of God's omnipotence. There is no independent reality to good or evil, as this could mean God becomes restricted to them. Rather, God determines good or bad through his laws, independent of any rational consideration. This implied the rejection of our knowledge of any real purpose in God's activities, as He is powerful to do according to his Will. Humans can take up rational and moral positions, or go against these laws due to our sinful nature. It is through God's active 'grace' that we prefer the first over the second. Self-love, based on our experiences of pleasure and pain, is to be accepted as part of our limited nature. We should therefore hope for Divine grace and instrumentally channel our acts based on this self-love rather than seek to transcend it, which is beyond human capacity tainted by original sin (Taylor, 1989).

Arguing against these egotistic doctrines was Shaftesbury (1671-1713 A.D.). He asserted the native natural goodness inherent in man and elaborated on a thesis that showed how there were other aspects to human psychology that reconciled self-interest and its destructive tendencies. There is an innate 'moral sense', mainly aesthetic in nature, that made humans sensitive to moral concerns. They seem to gain pleasure from the happiness of others that is independent of utilitarian considerations. The order and harmony that this moral sense brings about can be discovered in a similar way to the order that exists in the natural world (Oakley, 1994). He ushered in a sociological understanding to the notions of sociability and politeness that arises from the 'moral sense' he proposed.

Francis Hutcheson (1694-1746 A.D.) took over Shaftesbury's sentimentalist approach and framed it within a "Christianized" form of Stoicism. He developed the notion of 'moral sense' by linking it to the feelings that crop up when being praised or disapproved. He argued that man is sensitive to these kinds of feelings and adjusts his life according to sentiments or passions that these feelings generate (Peil, 1999, p. 58). Hutcheson was a mentor to Adam Smith, whose influence is unmistakeable in Smith's philosophy – the identification of the good becomes 'internalized' in our sentiments. Good does not lie in the hierarchical order of reason as in the ancients or scholastics. Rather, it can be identified in the mechanical order of nature that Newton and Galileo had articulated. While it is still couched in religious terms, this religion is highly naturalized or instrumental, with very little place for

Divine grace. Morality therefore becomes accessed through our internal sentiments. Nature is the paradigmatic norm in this, which we access through experiencing its inner impulse (Taylor, 1989).

3.1. Situating Smith

Clarke argues that the *TMS* can be seen as a development and extension of Hutcheson's thoughts. But although Smith was heavily influenced by Hutcheson, there was a fundamental difference in the way Smith used the term "sympathy". He does not restrict its usage to just altruistic feelings but also includes any feeling or interest in the happiness of others. This is not just through benevolence, but could also be through the virtues of prudence, beneficence or even justice. He agreed with Hutcheson that it was in the feelings generated by approval and disapproval that passions are ignited but denied the existence of any innate 'moral sense' that was universal. Through our imagination of other individual's and society's approval or disapproval of our own actions, we coordinate them and arrive at ethical decisions. Smith's ethics are therefore based on inter-subjective, socially defined and therefore evolutionarily defined humans. This implies less significance to other bases like utility or any form of natural 'senses' in his ethics (Clarke, 2002). Through the act of imagination and the process of sympathy, humans create social norms and values which then affect their subsequent behaviour. The relation is cyclical or discursive. We create moral rules from our interactions and then work within those rules, while at the same time continuing to modify and develop those rules through our interactions (Berry, 2013, p. 85).

The grand picture that Smith drew of social harmony was through the sympathetic man, who derives and generates values and meanings from each other and then share to create a well ordered society. This mechanism of sympathy would then create in humans the need to feel part of that society and to re-orient that society when faced with injustices. Ultimately, human nature balances any disturbances to disorder through moral virtues and through institutional rules and conventions that spring from this nature of man. Smith's project then was to provide a new moral insight and category of values for commercial societies through his commitment to liberty, science and material progress, values that are historically contingent (Fitzgibbons, 1997).

In his moral and economic analyses, the approach of taking psychological states as the basic substance clearly shows the influences of Bacon and Hobbes. This approach was taken over by Smith in its Lockean form, very much refined by his contemporary and friend David Hume. Furthermore, the idea that labour is the sole source of value owes considerably to Locke's articulation of wealth. A crucial point was in incorporating Hume's distinction of fact and value into his classification of use and exchange value of goods. Yet, Smith's originality primarily lies in placing markets at the centre of economic analyses. Wealth was before *WN* analysed through the prism of the state or the household. But with *WN* comes the idea of seeking patterns in economic behaviour through its workings in the market. There are many other historical reasons for this shift that this study does not delve into. The colonization of American and Asian lands created a huge influx of gold and other commodities into Europe, thereby enlarging the scope and prominence of the marketplace. In particular to Britain, the eviction of serfs and peasants from feudal lands for the production of wool had the effect of creating a huge pool of cheap labour that moved over to cities and towns. These "enclosure" and "putting-out" episodes in British history also played a vital role in the commercialization of society. Smith was thus articulating a theory or system of economics within these contexts.

Calls for a return to a Smithian framework of economic analysis against the prevalent neo-classical ones are gathering much influence in today's academia, most notably through Amartya Sen. How relevant to economics, particularly to Islamic economics, are these calls? The previous sections showed a comprehensive picture of Smith's project and also how it was very much within the context of Enlightenment. Smith had the conceptual base and the philosophical language to articulate a science that was based on individualization and a market centred society. Even though his economics might appear rather crude when compared to present-day economics, it is definitely based on a better philosophical and ethical foundation. Yet these calls for a return to Smithian framework are not without its limitations, especially after the powerful critique of modernity and Enlightenment that is out there today. The next section will digress towards a critique along these lines from the vantage point of Islam in general and Islamic economics in particular.

4. Imagining Alternatives: A Case for Islamic Economics

The previous sections had attempted to unearth the theological undertones within the moral philosophy of Adam Smith. By contextualizing his seemingly secular system within the Enlightenment project and linking them to theological discourses, the paper sought to untie the interpretational knots that bind Smith's thoughts to contemporary secular free-market ideologies. What the author hopes to have achieved is the argument that the origins of modern economics within the writings of Adam Smith is historically tied to Christian theological discourses or traditions. Once this argument is considered, a claim for an alternative economics that draws from other traditions gets reinforced. Yet by putting forward the case for Islamic economics, care is taken to avoid any attempts to create a binary or clash between 'Western' and 'Islamic'. Rather, the paper seeks a dialogue between these two intellectually vibrant traditions in order to come up with an intellectually satisfying and historically informed framework.

Islamic Economics cannot escape the issue of theology. One of its principal arguments against conventional economics has been on its secular nature. It demands a theological or metaphysical explanation of how God links the absolute with the relative, one that is based on an understanding of the Revelation. It is from this that any semblance of an order or system in the world can be established. Thus, the scheme of this section will be to put forward a critique of Smith's moral philosophy that could lead to possibilities or advances in building an Islamic framework for economics. Subsequently, an attempt would be made to bring in classical Islamic discourses on these issues and to put forward a case for an economics that is rooted in Islamic traditions.

The previous two sections of this paper have shown how Smith's economics in *WN*, when read along with his moral philosophy in *TMS*, demonstrates a highly sophisticated framework for social science. With 'Sympathy' as the principal force in his system, Smith sought to explain all other human phenomenon through it. This ethics, rooted in human sentiments, allowed him to interpret all economic phenomena like the process of exchange and the division of labour as ultimately moral in its essence. Yet at this level comes certain assumptions that could be fundamentally disagreed with, especially from an Islamic perspective. MacIntyre has explained this well, by showing how the approach of

Smith and his predecessors focused on 'how' we take up moral positions, but failed to explain 'why' we take it up. He argues that this particular psychological approach, with its roots in Bacon, makes the assumption that human nature is prior to morality. They first characterize this human nature, after which the moral rules are drawn from its social interactions (MacIntyre, 2003, p. 176). Morality therefore becomes almost a social construct, yet the human nature drawn is individualistic in essence. Although Smith resisted drawing out a utilitarian base for morality by basing it rather on sentiments; in hindsight this morality can only be sustained if it is shown to have some utility for these individualistic humans.

Along the same lines, Charles Taylor argues how the Enlightenment rationality was fixated on a "disengaged" form of reasoning that betrayed their faith in the possibility of achieving an impartial or objective stand towards the universe (Taylor, 1989). The consequence was a rejection of metaphysics or any transcending notions of good or bad, which was itself a theological or metaphysical stance. Smith also displayed this form of scepticism towards metaphysical enquiry. His reluctance to inquire about the link between the natural and historical aspects of his projects showed his commitment to the prevalent deistic theology of his time. This theology conceived of God as totally transcendent, laying just his "invisible hand" on nature. Human actions in history, on the other hand, is divorced from this transcendent Being; leaving the immanent world as a secular space with humans having freedom to act on nature. The result was a worldview that conceived humans as confronted with the mechanistic clockwork-like Nature. Yet when analysing human phenomenon at the social level, human freedom was found to be severely limited and history often the consequence of unintended actions. Smith's economic insights and systematizations occur within these frameworks.

Thus, within this mechanistic approach to explaining economic reality, Smith could effectively talk about causal relations between magnitudes like prices or wages that appear objective. Yet having grounded them in human nature through the process of division of labour, Smith unwittingly universalizes much that is particular to the context of Smith's European experience. He frames the metaphysical concerns of theology and morality according to the climate of ideas that he engaged with, resulting in a picture of human nature and society that

is geared primarily towards self-preservation. The subsequent political identity that Smith draws becomes based on a regulative conception of justice, which assumes the framework of a nation-state with its particular forms of kinship and social units. The idea of a linear progression in history that anticipates commercialization leads him to give prominence to exchange value over use-value even in non-commercial societies. It should be on these fundamental issues, the author believes, that Islamic economics should begin its re-conceptualization. It is easy to overlook the fact that rudimentary economic discussions of today, like the choice between a Keynesian demand curve or a neo-classical one, carries with it these assumptions.

Yet the task confronting Islamic economics involves not just connecting the logic or practices of contemporary economics to their foundational roots – a task that this paper hopes to have partially achieved up to this point. An equally demanding task is to reconstruct these ideas from an Islamic perspective, informed by its own traditional discourses. Iqbal's (2013) *Reconstruction* provides an excellent illustration of how this could be carried out. By employing 'modern' language and concepts, he puts forward a theology and philosophy that places God at the centre of his discourse without negating human free-will. In this vein, he convincingly demonstrates how a purely psychological method of interpreting human nature as in Locke, Hume or Smith fails to explain many dimensions of consciousness or knowledge (Iqbal, 2013, p. 25). Particularly pressing here is how ideas of 'religious' or 'sacred' gets lost in translation into these psychological states. Talal Asad's analysis of "secularism" and the "secular" could also be valuable in this regard. Taking up Michel Foucault's notions of 'genealogy', 'power' and 'discourse', he argues how the Enlightenment articulation of individual as a "continuous consciousness in a single body" resulted in attributing an essence to him that was crucial in the rise of modern social sciences (Asad, 2003, p. 75). The evaluation of human acts through the prism of pleasure and pain resulted in contemporary secular understandings of agency, responsibility and even property. Implicit here was the idea or notion that the human mind is embodied or of material nature; that actions are stimulated through physical means within our biological self. These conceptions were very much historical and contingent, yet were universalized during the Enlightenment and since.

Having shown a particular movement or trajectory of thought within Western intellectual tradition, it is pertinent here to provide a brief overview of theological discourses in Islam. This is in order to identify and analyse possibilities for an economics rooted in Islamic thought and its traditions. The overview will be restricted to certain central issues within the four classical schools of Sunni Islam- the Mu'tazili, Ash'ari, Maturidi and Hanbali. These schools represent Islamic theology at its most mature phase and are still prevalent among Muslim communities. The previous sections have shown how Western theological debates were highly influential in shaping the intellectual discourse of Enlightenment. The aim here is to show how debates among these schools can be valuable for Islamic Economics.

To take up an example, the discourse on "Natural order" during the Enlightenment has similarities to debates on the notion of Justice in classical Islamic literature. The Mu'tazilis and Maturidis argued that Justice, like natural order in Western thought, can be grasped independent of Revelation. The Ash'ari and Hanbali, on the other hand, insisted that justice is irrevocably connected to the idea of what is "good" and therefore has to be grounded in revelation. But this is to simplify the debate. The former were confronted with the issue of evil and its relation to God, as raised by the Zoroastrians and people of other faiths. The Mutazili response was that God gave humans complete free-will and agency. This implied that humans were the creators of evil in the world. God, being perfectly just, is incapable of wrong. The Ash'aris responded that this resulted in limiting the power (*Mulk*) of God. Humans do not have total free-will; rather they only have freedom of choice. It is only through the will of God that humans have the power to act. God therefore instantiates every single act, a notion they termed '*kasb'*.

The Maturidis were influenced by the Ash'ari response and sought to strike a middle ground. They argued that even though God might have a role in the evil found in the world, it is all part of His 'Wisdom'. God does not become unjust due to Him allowing evil in the world; rather His infinite Wisdom allows humans to choose between good and evil, and to recognize the good through the evil. The Hanbalis generally shunned rational theological speculations, arguing instead that these should be based on literal interpretations of revelation. Yet, their positions on theology were often interesting, particularly that of Ibn Taymiyya.

He argued that there are legitimate ways of describing God's morality which indicate His 'character', based on His revealed attributes (*Sifaat*). This conception of God was much more active, as one who responds to human situations through His attributes of beneficence, lordship, beauty, etc. The other schools, he claimed, often end up rationalizing God or reducing Him to a theoretical abstract.

Although these were schools of theology, they also had a lot to contribute to Islamic ethics. One of the basic issues at the core of the debate between these schools was on the role of reason in ethical judgement. The Mu'tazilis and Maturidis believed in the ability and authority of reason to independently grasp what was good and bad. The Ash'aris and Hanbalis argued to the contrary and tried to limit the authority of reason in ethical deliberation. The question here was not on the epistemological authority in legal issues, as all of these schools applied reasoned arguments in their legal deliberations. The question was rather on its ontological authority as a source of morality alongside Revelation. We must be careful here when we discuss "reason" as a category though, as it need not be congruent to what we perceive or understand it to be today. The Mutazilis considered intellect itself as knowledge (*ma'rifa*), the Hanbalis and early Ash'aris argued that it is an instinct (*ghariza*) through which knowledge is acquired, while the later Ash'aris took over the philosopher's view that intellect was an essence (*jawhar*).

Another aspect that is crucial to Islamic theology is the centrality of the Arabic language. The fact that the Qur'an was revealed in Arabic, reflecting the particular literary and poetic traditions of 7th century Arabia, necessitates an explanation of how any interpretation is rooted in that tradition. This led to the development of highly sophisticated theories of language and grammar in Islamic traditions. An interesting aspect within this discourse was on the origins of language and the formation of society. Language was at the centre of how order was conceived in society, since the capacity to speak, define and conceive was believed to be a divine grace. Parallel to this was the issue of legal interpretations and methods, the centrality of law being a distinctive feature of Islam. A deep lying tension here is between the understandings derived from transmission and tradition and those arrived at through apodictic or logical means. While the Ash'aris, Mu'tazilis and Maturidis allow for varying degrees of freedom for reasoned arguments, the

Hanbalis advocate a stringent fidelity towards Prophetic transmissions. These differing subtleties or sensitivities in turn create diverse ideas on movement and causality in history, along with divergent notions of normativity.

It is only but an outline or the contours of Islamic theology that has been illustrated here. The prime intention was to show the animated and discursive nature of theological traditions in Islam that is sadly ignored or neglected in Islamic economics. Yet the history of economic thought shows how theology was influential in its development, despite its secular garb today. Different theological obligations for Smith and for classical Islam lead the former to disregard metaphysics while the latter to insist for it. Parallels between western and Islamic traditions are illustrated to show how there can be a vibrant conversation between them, rather than a blind acceptance or rejection of the other. Islamic economics has to reach in to these debates and take up coherent positions on these fundamental issues.

5. Conclusion

The aim of this paper was to demonstrate the theological and ethical aspects in the writings of Adam Smith in order to show its role in the formation of modern economics. This would help Islamic economists to better contextualize their efforts to rebuild foundations of Islamic economics from an Islamic worldview. As shown in the sections two and three, Smith's thoughts were very much influenced by theological discourses of the Enlightenment. They were also very much part of a moral project that conventional economics of today crucially neglect.

Those with a more intellectual approach within the Islamic sciences today generally have a reflexive assumption that economics involves a limited range of issues, with a scope that is sorely narrow. Economists are thereby seen to operate in a bubble or a tight box. This study has shown that Adam Smith provides a considerably broader framework and outlook for Islamic economics. He demonstrated through economics questions of civilizational scope, and through his writings forced many others to see it that way. Yet, his organic approach was later neglected to accommodate the details or technicalities. Thus today we find economics as a science that is substantially divorced from other areas or domains of knowledge.

Contemporary Islamic economics often falls prey to this narrowing of outlook. Although it has been imploring for a fundamental or paradigmatic shift, very few studies have ventured into the area of foundations. By analyzing the formative period of modern economics through the writings of Smith, the author has shown that it could yield valuable insights or points of references for Islamic economics to reflect upon. But, the context and perspective that Smith espoused should be critically kept in mind. In the same way that Smith was contextualized, Islamic traditions would also have to be comprehended within their contexts. It is not only important to know our traditions but equally significant is the issue of how those ideas can be relevant for today.

Endnotes

1 *The Theory of Moral Sentiments* was first published in 1759 and went through six editions during Smith's lifetime (1759, 1761, 1767, 1774, 1781, and 1790).

2 *The Wealth of Nations* was first published in 1776 and went through five editions during Smith's lifetime (1776, 1778, 1784, 1786, and 1789). Written during the initial stages of the Industrial revolution in Europe, it dealt with aspects like public policy, division of labour and markets.

3 "The object of Justice is security from injury, and it is the foundation of civil government." [LJ (B), p. 398]

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