

## CHAPTER 16

# Life and Reflections on Islamic Economics

In this exclusive section, M. Nejatullah Siddiqi, groundbreaking Islamic economist and thinker, narrates his own story extending back about seventy years and his personal reflection on the evolution of Islamic economics. The focus is on the 20<sup>th</sup> century, especially the second half, and the first decade of the 21<sup>st</sup> century. What follows provides a spring board for the imagining of a future for the place of Islam in the economy of man. In the end he brings the reader back to the present to sell an agenda for research and institution building.

### The Beginnings

As soon as I started reading I found myself surrounded in my home by, among other reading material, Islamic magazines (in Urdu) like the monthly *Moulvi*, *Al-Tabligh*, *Al-Hilal*, *Al-Balagh*, and *Tarjumanul Quran*. It is difficult to pinpoint from where came the idea of combining Islamic with secular education that came to define my career; but I was impelled to write to Darul Ulum Deoband and Nadwatul Shari'a scholars to get their syllabuses when I was a student of the Islamia Inter College, Gorakhpur. That was 1943. A few years later, I read *Naya Nizam e Ta'leem* in which Maulana Maududi outlined an educational system bringing together modern social sciences and Islamic textual studies. Instead of joining Class Eleven, my friend Abdul Haq Ansari and I attended Arabic and Islamic classes in Anjuman Islamiyah, then headed by Maulana Ziaunnabi Abbasi who also happened to be the President of a local unit of Jama'at Islami. By 1949, when I joined Aligarh Muslim University to study for the BA degree, I concluded that I wanted to develop a discipline of economics reflecting Islamic values.

Between 1950 and 1953, I studied at Sanvi Darsgah, Jama'at e Islami Hind, Rampur, and spent the last six months of 1953 at Madrasatul Ialah, Saraimir, and Azamgarh. These were dedicated to the teaching of Islamic knowledge. My experiences were distinguished by lively interaction with several young college graduates in-

spired by similar ideas. Their choice of subjects differed: economics, political science, philosophy, and this made the experience richer indeed. Further contact with people young and old, graduates from religious seminaries and degree holders in modern sciences, brought in the realization that the idea of combining modern-secular and classical Islamic knowledge had very wide appeal. I think disenchantment with western ways of living and thinking - economic management, governance, family-life - was fairly widespread among the religiously inclined intellectuals, a feeling that was no less common than the desire to make the East a replica of the advanced West among the secular elite.

### Back to Aligarh

Returning to Aligarh in 1954, I attended lectures of a renowned Marxist intellectual, Professor D. P. Mukherji, who was then head of the department of economics. Those were heady days for socialist planning in India. Islam and everything Islamic was generally perceived as anti-socialist, even pro-capitalist, insofar as the professors were concerned. But the student body was predominantly pro-Islamic. That made the discussions lively, in the classroom as well as outside. We had some eminent visitors like Mrs. Joan Robinson and Professor J. R. Hicks whose talks were inevitably followed by discussions showing the intellectual divide of those times: socialist planning versus free-enterprise. In retrospect, I feel my early choice of subjects to write upon (*Economic Enterprise in Islam*, *Islam's Theory of Property*, etc.) was influenced by the raging controversies of those days. I think this applies to almost all teachers, what they learn and what they later teach is influenced by what they think is the need of the time.

Many people had serious reservations about mixing Islam with economics. When I expressed my desire to register as a PhD student in 1960 to investigate interest-

### My Main Works - Books in English

Title	Year	Publisher
Islamic Banking and Finance in Theory and Practice: A Survey of the Art	2006	Islamic Economic Studies (Jeddah)
Riba, Bank Interest and the Rationale of its Prohibition	2004	Islamic Development Bank, Islamic Research & Training Institute, Jeddah
Dialogue in Islamic Economics	2002	Institute of Policy Studies, Islamabad& The Islamic Foundation, Leicester;U.K.
Islamic Public Economics	2001	Idara-i-Adabiyat-I-Delli (Translated from Urdu by Afzal Peerzade) Delhi,India
Economics, An Islamic Approach	2001	Institute of Policy Studies, Islamabad& The Islamic Foundation, Leicester;U.K.
Teaching Economics in Islamic Perspective	1996	Centre for Research in Islamic Economics, KAAU, Jeddah.
Role of the State in the Economy	1996	The Islamic Foundation, Leicester;U.K.
Insurance in an Islamic Economy	1985	The Islamic Foundation, Leicester;U.K.
Partnership and Profit-Sharing in Islamic Law	1985	The Islamic Foundation, Leicester;U.K.
Banking Without Interest	1983	The Islamic Foundation, Leicester;U.K.
Issues in Islamic Banking	1983	The Islamic Foundation, Leicester;U.K.
Muslim Economic Thinking	1981	The Islamic Foundation, Leicester;U.K.
Contemporary Literature on Islamic Economics	1978	The Islamic Foundation, Leicester;U.K.
Economic Enterprise in Islam	1972	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Some Aspects of the Islamic Economy	1972	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Muslim Personal Law	1972	Markazi Maktaba Islami, (Edited)Delhi, India
Recent Theories of Profit, A Critical Examination	1971	Asia Publishing House, Bombay, India

### Books in Urdu

Title	Year	Publisher
Maqasid e Shariat: Ek Asri Mutala (A contemporary Study of the Objectives of Shari'a)	Forthcoming	Islamabad, Institute Of Islamic Research
Muasir Islami Fikr ke Tawajuh Talab Pahlu (Some issues in contemporary Islamic Thought)	2007	Islamic Fiqh Academy, Delhi.
Ekkisween Sadi men Islam, Musalman awr Tehreek e Islami (Islam, Muslims and the Islamic Movement in the 21st Century)	2005	MMI Publishers, Delhi.
Deeni Madaris: Masail aur Taqaze (Religious Schools, Problems and Challenges)	2001	Markazi Maktaba Islami, Delhi.
Islam, Maashiyat awr Adab Khutoot ke Aaine Mein (Islam, Economics & Literature in the light of letters)	2000	Educational Book House, Aligarh.
Tahreek Islami Asr Hazir Men Contemporary Islamic Movement)	1995	Markazi Maktaba Islami, Delhi.
Quran awr Science (Excerpts from Syed Qutb's Tafsir with a detailed Introduction).	1978	Markazi Maktaba Islami, Delhi.
Nash'at Saniyah Ki Rah (Towards Islamic Renaissance)	1974	Markazi Maktaba Islami, Delhi.
Insurance Islami Ma'ishat Mein (Insurance in Islamic Economy)	1974	Markazi Maktaba Islami, Delhi.
Ghair Sudi Bank Kari (Interest Free Banking)	1969	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Shirkat awr Mudarabat Ke Shar'i Usul (Shari'a Principles of Partnership and Profit-Sharing)	1969	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Islam Ka Nazariyah Millkiyat (2 Vols.) (Islam's Theory of Property)	1969	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Islam Ka Nizam-e-Mahasil (Translation of Abu Yusuf's Kitab al Kharaj)	1966	Islamic Publications, Lahore, Pakistan.
Islam Men `Adl-e-Ijtima'i (Translation of Syed Qutb's al `Adalah al Ijtima'iyah fi'IlIslam)	1963	Markazi Maktaba Islami, Delhi, India, and Islamic Publications, Lahore, Pakistan.
Islami Adab (edited) (Islamic Literature)	1960	Markazi Maktaba Islami, Delhi, India

free banking, I was wisely diverted towards undertaking "A Critical Examination of the Recent Theories of Prof-it" - a subject that would increase my competence in an area close to my subject of choice without endangering the prospects of earning a doctorate in economics. I consider myself lucky to have chosen that subject as it helped me focus on what is now universally regarded to be the crucial feature of man's life on earth: uncertainty. This applies to almost every aspect of life, but its centrality in economic life is beyond doubt.

Though very few in the department fully endorsed the idea of applying Islam to economics, the idea caught on. The journal, *Islamic Thought* [1954 - 1971] took the idea to neighboring countries too. It received contributions from intellectuals and institutions outside India. Writings of Anwer Iqbal Quraishi, Maulana Maududi, Syed Qutb, Naiem Siddiqi, started elaborating upon an idea familiarized two decades earlier by Allama Iqbal, the poet: the relevance of Islam to economic management.

Since the earliest writings on the subject, including those by Professor Manazir Ahsan Geelani and Maulana Hifzur Rahman, there was great emphasis on behavioral aspects and institutional arrangements. The state, representing the power dimension, was visible but not dominant except in some writings dubbed "Islamic Socialism".

The First International Conference on Islamic Economics, scheduled for 1975 but actually held in 1976, was not the beginning of the dialogue between Muslim economists. In fact the conference followed widespread interest in Islamic economics. There were attempts to reshape financial institutions, reorganize zakat collection and disbursement and revamp awqaf in newly independent Muslim countries in Asia and Africa. If discouraging greed, encouraging cooperation and calling upon hard work were recognized as the behavioral pivots of Islamic economic resurgence, building institutions enabling Muslims to act according to Islamic law were seen as a necessary means to achieve these cherished ends. The early 1960s saw institution building initiatives in Egypt, Malaysia, the Philippines and Pakistan. They were focused on helping Muslims in need of financing without getting involved with interest. There is a lesson here for those uneasy with Islamic banking and finance becoming the chief branch of "Islamic economics".

At the first International conference on Islamic economics, the Vice Chancellor, A M Khusro, and chairman of the Economics department, Mohammad Shabbir Khan attended from Aligarh. Following the conference, we had a department meeting in Aligarh where the Vice Chancellor spoke highly of the conference and hinted at the desirability of including Islamic economics in our curriculum. Encouraged, I moved a resolution at the next available opportunity for introducing a course on economic thought in Islam as an optional module at the MA level. The motion was lost. It remained one vote short of majority as the chairman and some teachers thought that adopting it would make the economics department look like the departments of theology or Islamic studies. Two decades later, while I was still in Jeddah, the course was introduced. Later on, a number of students earned PhD degrees writing dissertations on subjects related to Islamic economics. A decade later when the Academic

Council adopted a resolution launching a post graduate diploma in Islamic banking and finance in the Faculty of Business Administration and providing for a full-fledged department of Islamic finance to be set up eventually, the then chairman of the economics department, while supporting the motion, ruefully observed that the whole thing would be better housed in his department.

Several international conferences and seminars followed the conference in 1976. The growing fascination induced universities to put Islamic economics on their syllabuses. Research centres multiplied following the recommendation of the First international Conference. Sovereign states noticed the zeitgeist and announced their willingness to put the idea of Islamic economics into practice. This idea is becoming recognized by more people; it is welcome in an increasing number of countries; the media is no longer indifferent. Islamic banking and finance has become the chief embodiment of Islamic economic thought. This is acceptable, but today the concern is that its current modality tends towards debt finance. More on this later.

I include in this category my early contributions to Islamic economics, *Islam's Theory of Property (Islam ka Nazariyah e Milkiyat)*, *Banking Without Interest (Ghair Soodi Bank Kari)* and *Economic Enterprise in Islam*. All three were completed in the mid-1960s. The latter first appeared as a series of articles in *Islamic Thought* before being published as a monograph in 1971.

*Islam ka Nazariyah e Milkiyat* is the most comprehensive of all three. One of its chapters, *Islami Riyasat ki ma'ashi Zimmedarian* (Economic Responsibilities of the Islamic State) was reproduced by some reputed magazines. It was also the most controversial, as for some people it evoked socialist principles. I laid great emphasis on the limits within which private ownership rights had to be exercised. In a long chapter, I enumerated the situations in which the authority should intervene to maintain individual's ownership rights. To support my argument, I brought out numerous precedents from early Islamic history that were cited in each chapter. I think there was an appreciable change in the rhetoric of Islamists after this book. It was listed as one of the books recommended in the election manifesto of Jama'at Islami Pakistan in the 1970s. In my later writings I moved away from highly regulated markets as I realized the crucial role incentives played in bringing creativity and innovations to the fore. This dawned upon me following a response to a scholar's comment in a Seminar held in Istanbul in 1995, about 20 years after the publication of *Islam ka Nazariyah e Milkiyat*.

*Economic Enterprise in Islam* continues to inspire students despite its simple language and elementary economic content. The reason: it tried to build an Islamic behavioral model from scratch, in light of the Quran and the Sunnah. Unlike other Islamic publications of those days, its backbone was not a critique of capitalism, socialism, etc. It focused exclusively on divine guidance relevant for economic life. The book was incomplete as it failed to elaborate upon the mechanisms through which cooperation could play an effective role in a free market. Looking back, I wish I had paid more attention to the family or the household in my theoretical elaborations. Man is born in a family benefiting from the loving care

of the mother and other members of the family before one enters the market. One experiences altruistic and giving relationships even before the idea of exchange occurs. By projecting the market as the premier economic institution and obliterating the role of the family and the community, conventional economics wrongly projected competition as the center-piece of economics, relegating cooperation to a marginal position. I think we, the Islamic economists, were duped by the ruling ethos of the time. We neglected the rich Islamic literature on *tadbeer al manzil* (management of the household) which had the potential of becoming the launching pad for an alternative economic doctrine, eschewing the scarcity-fishiness-competition-maximization route responsible for the current mess in human affairs.

*Shirket aur Mudarabat ke Shar'i Usul and Gahir Soodi Bank Kari (Shari'a Principles of Partnership and Profit- Sharing and Banking Without Interest)*, two works complementing each other, were serialized in an Urdu magazine in the mid-1960s. That gave me an opportunity to consult a wide range of experts before these two books were published as monographs. Within, I formulated a model based on Sarakhsi's *al-mudarib yudarib*, what later came to be known as the two tier mudaraba. All practical experimentations with the idea of Islamic banking till the mid-1970s, including the IDB and Dubai Islamic Bank, centered on the idea of risk-sharing. That had been the essence of the contributions preceding my own, from the likes of Dr. Mohammad Uzair and the late Ahmad al-Najjar.

I think the majority of my readers in Urdu had no idea about how modern fractional banking worked before they read my book. I also realized that it was not easy for traditional religious scholars to appreciate the role of financial intermediaries as distinct from trading partners. Both problems persist today making it an uphill task to convince Muslim masses about the merits of banking.

I revisited the subject in the mid-1980s (Issues in Islamic Banking) and then again in the early years of the 21<sup>st</sup> century (*Riba, Bank Interest and the Rationale of its Prohibition*). In both books discussions on murabaha-banking is followed by a strong plea for a return to risk sharing. But the Islamic finance industry continues to progress in the opposite direction, following the world-wide trend of shifting risks over to unwary households, then ultimately, to the society, a trend captured well by Joseph Stiglitz in *The Price of Inequality* (2012).

## Islamic Economics in the West

My interaction with the West started in earnest in 1979 when I spent several weeks in Leicester, UK, as a guest lecturer for the Islamic Foundation, headed by Professor Khurshid Ahmad. This was followed by two months in 1981 in Chicago as a guest lecturer of the East-West University founded by Dr. Wasiullah Khan with the help of Dr. Abdullah Umar Naseef, the then Vice-Chancellor of King Abdulaziz University, Jeddah, where I worked between 1978 and 2000. My first introduction to the West had lasted four months in 1972 looking, unsuccessfully, for opportunities for post-doctoral research in Islamic economics and finance. Time was not ripe for

the nascent American Muslim community to establish Islamic financial institutions (IFI), but the ideas that later resulted in LaRiba and MSI were already afloat. Canadian Muslims may have been a little ahead, but I did not see any visible movement for building IFIs in UK at that point of time. In Europe the Luxembourg Islamic Bank was founded in the 1980s. There were also the Amir Mohammad al-Faisal's initiatives: the Baden-Baden conference and Islamic Bank in Germany. Darul Mal al-Islami and Saleh Kamil's Al Barakah established IFIs throughout the MENA region. Meanwhile Malaysia and Indonesia were also moving in the same direction.

Zakat and awqaf, the two other Islamic institutions embodying the spirit of Islamic economics, were not entirely neglected. Several conferences were held, journals launched, arrangements long in slumber reactivated. The difference in attention is partly explained by the increased urgency of ensuring that Muslims did not fall into undertaking prohibitive activities. Commended activities were seen as secondary considerations. The Malaysians, for instance, rightly saw Hajj as a commended act and associated it as part of Islamic economics. Attempts were afoot to link all Islamic economic initiatives to developmental urges of the regions inhabited by large Muslim populations, thus bridging the gulf between secular Muslim managers of the economy and standard bearers of Islam.

## Islamic Economics in the West: HARVARD, UCLA, LSE, the Sorbonne and Madrid.

My two months at the University of California, Los Angeles as LaRiba Senior Visiting Scholar in the Centre for Near Eastern Studies, established as a result of the hard work by Dr. Yahya Abdur Rahman (the founder of LaRiba), came after the Harvard Islamic Finance Forum started its yearly events programme in the late 1990s. The Harvard Islamic Finance Forum continues to widen and deepen the understanding of asset based financing promoted by Islamic banks. It has brought together western-secular and eastern-Islamic scholars to focus on issues relevant to both East and West. On the one hand the Forum and similar events have helped spread the word that an alternative way of securing the end results of contemporary finance exists, and on the other hand it has succeeded in giving out the message that the current practice of Islamic finance leaves much to be desired for:

“There is a big difference between the two systems regarding risk management. While conventional finance is engaged largely in risk-shifting, with the resulting increase in inequality and other evils, Islamic finance aspires to work for extending the range of risk-sharing. Islamic finance is still a work in progress.”

The LaRiba- UCLA venture (starting September 24, 2001, the date I reported for duty) ended prematurely as the financial sponsors had second thoughts (perhaps

due to collapse of trust in the wake of 9/11). Meanwhile lectures on Islamic banking were held in the Business Administration Department at UCLA and in Claremont, at the Peter F Drucker Institute of Management.

The seminars at the London School of Economics were instrumental in giving Islamic economics a higher profile in academia in UK, which is not to say that it was absent from the educational space: several other universities were involved with Islamic economics and finance. Conferences, seminars and workshops strengthened the continuing interaction between theoreticians and practitioners. Several other events in Europe and North America, sponsored by universities and/or industry institutions, have generated public interest in the existence of an alternative to the conventional ways of finance. The Sorbonne in Paris and a college in Madrid are giving courses in Islamic finance. Italy too has hosted some conferences, and some IFIs are entering Russia and several countries of the former Communist bloc, especially the Islamic republics in Central Asia. The phenomenon cannot be explained without universal recognition of some difference between the two, conventional and Islamic finance. For the common man, Islamic economics has contemporaneous credibility through the only visible expression it has produced so far: Islamic financial institutions. The situation may improve if ongoing efforts in Sudan and Malaysia to eliminate the role of interest-bearing debt from monetary management succeed. But a bigger impact has to wait for Islamic instruments to reduce inequality and ensuring universal needs are fulfilled. This is possible only when countries as well as NGOs and the citizens in general play more effective roles.

## Islamic Economics, Teaching and Research: The Missing Dimensions

One of the core activities at the International Centre for Research in Islamic Economics (now the Islamic Economics Institute) at King Abdulaziz University, Jeddah, was to promote teaching of Islamic economics. For many years meetings were organized bringing together teachers of the subject to Saudi Universities. Similar efforts were made at the international level with the co-operation of the Islamic Research and Training Institute (IRTI), International Islamic University Malaysia, and the International School of Islamic Economics, Islamabad. The subject is now included in the program of almost every Muslim managed educational institution of higher learning all over the world. Along with modern schools, religious seminaries and madrasas have also adopted the subject. However a mist of artificiality surrounds the program, not to speak of the superficiality of its contents. I have touched upon some of the causes of this phenomenon.<sup>1</sup> Madrasas grapple with the same dilemma in accommodating this subject as they face in introducing any foreign language or modern subject in their curriculum: their inability to trim the traditional subjects to create space for new subjects. I got an angry response from quite a few Shari'a scholars when I suggested in the light of personal experience that there was some duplication in the teaching of fiqh and hadith in madrasas. Introducing a new subject like Islamic economics in the

program would be possible if duplication was removed. For example, one can teach the chapter on taharah (purification and cleanliness) bringing together Quran and Hadith, and jurist derivation of rules of conduct in one course instead of going over the same issue in two different courses on hadith and fiqh, often taught by different teachers. There are deeper methodological issues involved best explained by the following anecdotes.

Of the many students whose theses I have supervised, half belonged to Ummul Qura, or Jami'at al Imam, both in Saudi Arabia. There are many more who consulted me and my colleagues in the Centre for advice on what topic to select. There was one more supervisor, a faqih, from the student's university whose say was final in selection of the topic. In an interesting case in which my suggestion was turned down, field research was involved. His topic was the concept of israf (extravagance) in the Quran and Sunnah and its contemporary perception in various income strata of Muslim society in city X. Apathy towards empirical studies seems embedded in religious educational institutions. I never succeeded in persuading the Islamic Fiqh Academy of India or Idara e Tahqeeq wa Tasneef Islami Aligarh to undertake any kind of empirical research. This neglect of ground reality links up with other failings producing the sterile scholarship affecting us currently. The anecdotes that follow will explain further what dimensions are missing from our teaching and research.

About fifteen years ago a Professor giving a course at Harvard sent me some work sheets used in the context of discussing Islamic rules on interest. All the relevant verses of Quran along with the main hadith dealing with the subject were supplied, asking the student to derive and write down the rulings that could/should follow. Next, the student was required to look up authentic sources and note down the rulings actually given by Abu Hanifa, Shaf'i and other major authorities on Islamic law. The student had to conclude by evaluating these rulings as well as defending his own views in a critical manner.

Around the same time I sat on an examination committee in the Islamic economics department of Ummul-Qura University at Makkah. In defending his Master's thesis on labor relations in Islam, the student, after stating an issue involving employer-employee dispute, happened to say: "I suggest." To my consternation, the chief examiner, a fiqh professor, chided the student in harsh terms saying: "How dare you say 'I suggest...' It is enough for us to learn what the great scholars have said and to transmit their opinions faithfully to posterity."

A student who had just earned a PhD degree in economics from the Aligarh Muslim University by writing a thesis on murabaha, joined a course in Ifta' (giving a juridical verdict) conducted by a religious seminary in Hyderabad, India. I was happy with his choice as the Faculty of Business Administration in our university had decided to have a full-fledged department of Islamic finance. This student who had a degree in Islamic sciences from an institution of good repute before he joined Aligarh, would certainly gain much from the training to give Shari'a verdicts he was likely to receive during the Ifta' course. When I enquired from him, after he had earned the Ifta' degree, about the method of training he told me that

<sup>1</sup> "Islamization of Knowledge: Reflections on Priorities" *American Journal of Islamic Social Sciences*, vol. 28, issue 3, Summer 2011, pp. 15-35, available on [http://www.siddiqi.com/mns/Islamization\\_of\\_Knowledge.pdf](http://www.siddiqi.com/mns/Islamization_of_Knowledge.pdf)



they were given specific queries and asked to consult particular fiqh books (Hidayah or Shami, for example) to find the texts that answered the query, directly or indirectly.

“Our current practices crush all independent thinking, extinguish any flicker of curiosity and kill all creativity. Absence of field work makes our research findings hollow and keeps all efforts tied to texts and logic, depriving young minds of the great benefits of enlarging the scope of conversation by observing the ground reality, and including intuition and pragmatic considerations in dealing with their subjects of enquiry.”

We need some introspection indeed! It is up to our educationists to guess what challenges await Muslims in the decades to come and whether the methodology of the fiqh professor at Ummul Qura, or the Ifta' course in Hyderabad is going to serve our purpose. There are some other problems with our research, especially when it involves Islamic history. A selective approach seems to have become the norm. Some of the modern-western writers find great gaps between theory and practice, and locate egregious things in the Islamic tradition and history. Some, mostly Muslim scholars, paint an idealized picture and focus on lots of good things to report. Research suffers in both cases. When I wrote the paper, *Public Borrowing in Islamic State* [included in my book entitled: *Role of the State in the Economy* (1996)] it was sent to two referees as was the practice in the Centre. The paper reports, among other things, some instances of the state borrowing from some non-Muslim lenders, in order to pay soldiers' salaries on time during Abbasid rule). For repayment the arrangement was to allow the lender to collect land revenues of a particular province. Sensing that the transaction resembled interest, one of the referees, an eminent Professor, expressed great anguish, insisting that the particular narrative must be expunged from the paper. I think this is not the way we should handle our history. Assuming Muslims to be sincere in their quest for fairness, we nevertheless recognize a variety of interpretations, insofar as the text of the law is concerned, and also recognize the role of compulsion of circumstances in deciding on actual policy. Departure of practice from theory, or rather a particular formulation of theory, is a fact of life. Man's history is a story of intentionality being frustrated by circumstances beyond control. It should not be a cause of embarrassment. More important is to understand these circumstances and compulsions and the reasons why interpretations of texts differ. But for the sake of knowledge, the supreme importance attaches to facts themselves. Events should be reported as happened.

Something similar to my experience with the referee happened at the Makkah Conference of 1976. One of the points made in favor of an economy following the guidelines laid down by Islam was that it would be free of inflation. The eminent Muslim economists in the audience grimaced but thought it better not to challenge the Shari'a scholars making the claim. I got an opportunity to confront Sheikh Mohammad Qutb, the leading advocate of the view, citing historical evidence relating to the very first century of Islam. But the Sheikh dismissed history as of no relevance when it came to characteristics of the

Islamic system he thought were derived from the texts of Quran and Sunnah.

A selective view of Islamic history combined with little understanding of the world we live in leads to false expectations that may later result in mass depression or global frustration. The KAU Islamic Economics Center once had some visitors, professors and patrons, from an Islamic educational facility in Peshawar, Pakistan. Most queries by the guests naturally related to the idea of Islamic economics and how it could be put in practice in that part of the world, especially after the departure of the Russians from Afghanistan. One of the questions was: When and how will it be possible to do what the second caliph, Umar Farooq did: giving an annual stipend to every Muslim household? That was the distinguishing feature of the Islamic economy: whereas modern states imposed taxes on people, the Islamic state would give them stipends instead, he said.

I later realized that such naivety was not confined to the less informed. In one of the many in-house meetings with important visitors to the Kingdom to which we in the Centre were often invited, Dr. Najmuddin Erbakan a former Turkish Prime Minister [June 1996 to June 1997] distributed a document titled al-ilaj (the Cure). In that document he had outlined future economic policies. It was full of utopian, impractical ideas. One example should suffice. Declaring currency and speculation to be at the root of many problems, the document proposed all producers of agricultural goods would surrender their produce to a government agency and get receipts that could be used in future to buy what they needed. Researchers in the Centre, including Mohammad El-Gari, Anas Zarqa and myself, prepared a rejoinder politely criticizing some of the proposals and suggesting alternatives. Dr. Muhammad Umar Zubair, a former Vice-Chancellor of KAU and at that time Professor in the Centre took it to Istanbul to present it to Dr. Erbakan. But he did not, as he realized no criticism was welcome. That in itself is a big problem with Islamic groups, especially the leaders, irrespective of their sectarian or political inclinations, there is little tolerance of dissent, little regard for democratic decision-making. Both are bad - naivety and intolerance - but their combination could be fatal.

## In Search of a Methodology

Even though Islamic scholars trained in the traditional way have now realized the need to study, research and teach non-traditional subjects like economics and political affairs, they have yet to develop appropriate methodologies for handling these subjects. One can discriminate between social sciences and other subjects included in Islamic curricula. It is more important, however, to encourage critical reading, creative thinking and uninhibited discussion on the issues involved in living in a globalizing world. For the guardians of religious education in the Islamic world the crucial thing is to realize that the traditional ways of teaching and research, and jurisprudence centered on analogical reasoning, often fail to guide us in changed circumstances. I had the good fortune to sit with traditional Shari'a scholars in class

rooms, seminars and conferences, committees focusing on specific issues as well as exchanging views informally over a cup of tea. My interaction with traditionally trained Shari'a scholars started during the 1940s and continues till now. Intensely feeling we needed to broaden the scope and extend the reach of our methods of thinking and arriving at decisions, I started drawing their attention to the rich Islamic heritage of thinking based on objectives of Shari'a, public interest, and, in modern economic terminology, macroeconomic considerations. Ultimately I brought out my book in Urdu titled *Maqasid e Shariat*. In more than a dozen reviews I could come across, only few dealt with the main issue of methodology. The rest got lost in peripheral issues. In that book, I covered the evolution of Islamic finance, in chapter six, to show how following the current methodology of patching together some traditional contracts led us to legitimize giving loans that had to be repaid with an added amount. They call it *tawarruq*. *Tawarruq* makes Islamic finance a replica of conventional finance. Had the consequences of flooding the economy with debt been taken into consideration by those who legitimized *tawarruq*, they would not have allowed it. In chapter three I suggested, in the light of the Quran and Sunnah, and precedents of the Companions of the Prophet, that reason and intuition should play an active role in our quest for fairness in economic and financial transactions and that relying exclusively on logical/analogical method was not the way the Prophet dealt with practical problems. I argued in favor of democratic decision making that implied tolerance of dissent and diversity. I sought to initiate a debate that would lead us to a methodology free of failings of our current methodology. Unfortunately the debate that ensued failed to focus on methodology. In the burgeoning literature on the subject, there is little attention paid to the future: how *maqasid* based reasoning can help, and how the inevitable diversity of opinions could/should be handled.

Instead of seeking endorsement for *maqasid*-based opinions with reference to possible future scenarios, most writers focus on yesterday's issues claiming support for their opinions from similar occurrences in the past that may or may not be relevant.

I think the issue on which critics as well as proponents of *maqasid*-based *ijtihad* need to focus is how to handle the diversity of opinions that results from *maqasid*-based *ijtihad*? In *Maqasid e Shariat* I have suggested debating the issue, with participation from all walks of society, followed by final decision from the *shura*, i.e. majority in a democratically elected body. Undoubtedly this is no ideal solution. It may need to be hedged by some other provisions to attain a balance between the spirit of divine law and its letter.

"There is hardly any university in the world which would refuse to register a PhD student who chooses a topic related to the idea and practice of Islamic economics. Literature on the subject is found in all libraries worth the name. But no sizeable investment in research and publication on the subject is yet in sight. To the extent we can find any research in progress, they are invariably text-based, discovering new meaning(s) in classical texts in the light of lin-

guistic rules. There is hardly any effort to look at the context in all its details: social, political and economic. Even when a research is meant for implementing a provision of Islamic law in a contemporary circumstance, little attention is paid to the current ground reality. Look at what happened to the *Diyat* law in case of accidental killing as recommended by the Council for Islamic Ideology, a constitutional body in Pakistan. The recommendation was given statutory force by the Government of General Ziaul Haq through the *Qisas and Diyat Ordinance 1980*. A countrywide strike by truckers, whom the new law made liable and penalized for anybody accidentally killed by their truck, led to its withdrawal within days."

## Attempts at Islamization of the Economy

It will be instructive to analyze what went wrong with the Islamization of the economy attempted by Pakistan, Iran and Sudan during the 1980s. But it requires lots of data, information difficult to get. We leave out the contentious question of how far those who ordered it were sincere and serious, focusing instead on the strategies adopted. One important issue is the relative efficacy of a top down approach as compared to a bottom up approach to Islamization. The second, more important issue relates to spirit versus form or *maqasid* versus analogically derived laws. The third, and perhaps the thorniest issue, is how and to what extent Islam can impact the economy in a pluralist society, characterized by religious and ethnic diversity.

I do not have all the answers. In fact I doubt I have posed all the questions. But I do think this kind of analysis is an important dimension of our stock taking. As regards to the first question, it is evident the three countries named above adopted a top down approach. The private sector took little initiative in introducing Islamic values or constructing IFIs. At least in some cases the authorities bear responsibility for this kind of apathy. Some decisions at the top seem to have been taken less with a view to ensuring efficiency and fairness and more to gain popular acclaim. Pakistan converted bank saving deposits into *mudaraba* accounts declaring that the rates of return will vary depending on the returns accruing to banks from the advances made to fund users. But the returns secured from the fund users were predetermined by a mark-up supposedly justified under the rubric of *murabaha*. As noted in a report by the Council for Islamic Ideology signed by the then chairman Justice Tanzeelur Rahman, the Council had advised to introduce profit-sharing in bank-fund-user relationship first but the suggestion was not accepted. Interest was back in the picture as "mark-up", shifting the risks of business to fund-users. The conventional formula was back in the saddle.

As emphasized later in this paper, the quest for fairness that characterizes Islamic economics and finance may lead to different contractual as well as institutional arrangements in different situations. These arrangements are better left to private parties, individuals, firms and institutions to devise, for which a degree of liberalization

and releasing the chokehold of bureaucracy is necessary. This however is anathema for a top down approach especially in non-democratic regimes.

Sudan had the distinction of realizing the necessity of designing and operating mechanisms for monetary management free of interest simultaneously with eliminating interest from banks. It got good advice from competent economists. New tools of monetary policy, like Central Bank Musharaka Certificates, Government Musharaka Certificates, and Sukuk al-Tamweel were devised. It is difficult to know the actual fate of these innovative measures as the Sudanese government needed to borrow externally too.

Iran has been exploring the possibility of introducing participation papers for mobilization of domestic savings since the 1980s. Now the participation papers have been made available to foreign investors too. The government of Iran had borrowed heavily from the central bank to finance social overheads and provide social goods. National participation papers (NPP) would be securities issued against these debts sold on the open market to control liquidity. It was proposed that this instrument should pay a dividend at least as large as the rate of return in the real sector of the economy but adjusted downward for the positive risk premium of the government. However the actual application of NPP was far more limited. It remains to be seen to what extent participation in profit actually replaces predetermined interest rates in external financial relations.

There are on-going efforts in Malaysia to bring monetary management as well as financial markets in line with the Shari'a. Malaysia has the distinction of housing Tabung Haji, a saving-investment institution. A fifth of the financial sector in Malaysia runs on non-interest basis, though still based on risk-shifting rather than risk-sharing. Similar market share is enjoyed by Islamic finance in the Gulf economies which also practice little risk-sharing. Dubai has the distinction of launching the first Islamic bank in the private sector in 1975. Most innovations in Islamic finance originated from the Gulf, especially Bahrain, and Malaysia, probably due to the greater role played by the private financial sector as compared to their role in Pakistan, Iran and Sudan. Intense competition from conventional banks is supposedly preventing Islamic banks from any serious attempt to practice profit-sharing. When I asked a leading practitioner in a conference on leasing held in a Gulf country about a decade ago as to why the available share-in-profit models of leasing were not being tried, he said the aim was first to capture a substantial market share before attempting to introduce ways the market does not currently recognize. That day has yet to dawn, despite some advanced theoretical work on participatory mortgages.

It is an impressive record, the proliferation of Islamic financial institutions, from a few in the beginning of the 1970s to several hundred today. But there is a widespread feeling of dissatisfaction. The real thing is still longed for. Skeptics differ in their disapproval of Islamic banking and finance (IBF) currently in vogue. Some would approve only those contractual forms that are prescribed and described in classical fiqh books. Others would not approve of a monetary system that is not

based on gold. Yet others debunk Islamic banks because they are not serving the poor. Some would not think of insurance at all, waiting for a public treasury (bait ul mal) instead to perform the relevant functions. For some the deciding factor is cost of services; Islamic banks are not attractive to many as their charges for services rendered are higher than those of conventional banks. Despite the obvious flaws in these objections detractors stick to them for the sake of giving vent to their disaffection. It may sound irrational, but IBF cannot shrug them off as it remains a niche industry. Widespread customer dissatisfaction can destroy the industry. Only a comprehensive empirical study will reveal the causes of disaffection, opening the door to possible cures.

There has been a transformation in the world's socio-economic landscape since the idea of Islamic economics re-emerged early last century. The first group of pioneers worked on assumptions of geographical boundaries that thwarted mobility of people as well as obstructed communication between them, sovereign nation states not recognizing any authority that could dictate to them, and economies that could be as closed as one desired. After seventy years these assumptions are barely sustainable. Geographical boundaries no longer obstruct communication and are fast losing their battle against mobility of persons. No economy can now remain closed to the world outside, the cost of doing so in terms of wellbeing being prohibitive. Supra-national authorities are increasingly able to dictate policies even to nations not willing to listen. States no longer have the power to impose policies on their unwilling citizens. No nation can afford to ignore what other nations think about it, much less the economically weaker ones.

## Islamic Economics in History

Islam came with a vision of universally shared felicity. It is in that context that Islam generated a quest for fairness in finance. The peculiar circumstances in the earliest days of Islam necessitated the task of increasing the strength of the Muslim community to preserve its independence and dignity, but the focus of the Prophet Muhammad remained in elevating humanity at large rather than uplifting a particular people. Guidelines were laid down by the Quran: shared utilization of natural resources, recognition of property rights, encouragement of enterprise, caring for others, paying zakat, dividing up inheritance, and of course the prohibition of interest and gambling. In the economy at the time of the Prophet, the markets were regulated and supervised but still remained largely free. The state played a positive role in lessening inequalities and promoting equity.

“The idea of Islamic economics stood in sharp contrast to the greed-ridden society before Islam in which the few exploited the many through riba, slavery and tribal privileges.”

In the first five centuries of Islam, economic management in the lands under Islamic rule reflected these ideas, in varying degrees though, but sufficient enough to give the Islamic economy a distinctive stamp. Islamic laws of inheritance saved these lands from European-style feu-



dalism that perpetuated serfdom. Zakat mitigated the worst features of private ownership, and awqaf compensated for the incompetence and/or irresponsibility of the rulers. The dominant modes of financing revolved around risk-sharing rather than risk shifting. Commenda, the Islamic mudaraba contract, and trade credit based on trust, was able to finance trade in the Mediterranean as well as in the Indian Ocean. Trade, national as well as international, was largely free and taxes were few. Knowledge flowed unhampered and society valued inventors and innovators. The splendor of Ummayyad Al- Andalus, Fatimid Egypt and Mughal India owed itself to the values of Islamic economics enshrined into institutions mentioned above as did the flowering of law, literature and the knowledge industry in general.

Somewhere down the road, maybe from the 13<sup>th</sup> century onwards, things started to change. Free- thinking, free enterprise and free movement suffered due to loss of self- confidence and erosion of trust. Optimism yielded to pessimism, hope to fear. The last two centuries, 18<sup>th</sup> and 19<sup>th</sup>, were the worst. The letter of Islamic law remained but the spirit was gone from the idea of Islamic economics as a shared attempt at achieving a good life.

Both the Ottomans and the Mughals were conscious of the distinctive nature of the economy of Muslim peoples. But they seem to have given little thought to its proper embodiment in a changing world. Instead of encouraging the private sector freely to meet the challenges of a (then) globalizing economy within the framework of Islamic values, they asked religious scholars and jurists to codify Islamic law taking into consideration newly arising issues. Not only did the creative spirit of the earlier days deteriorate and innovation became a taboo, the capacity to adopt "wisdom wherever found" also yielded to lack of trust and fear of erring. The strategy of preserving the old structures was failing, paralyzing many and forcing some to take recourse to stratagems to adapt to structures and institutions imported from Europe. By the time Muslim lands got rid of the colonial yoke during the middle of the 20<sup>th</sup> century the idea of Islamic economics, widely acclaimed in almost every Muslim population but superficially developed in academia, had received little contemporary expression. All that the avowedly Islamic regimes, like Pakistan, Iran and Sudan, could do was to maintain a veneer of being Islamic in economic management in a population yet to combine the morality inherent in the idea with the vigorous economic motivation that it takes to forge ahead.

## A Lesson from Islamic History

One of the many lessons to be learnt from history is the persistence of financial innovation, especially in the face of government regulation. Both innovation and regulation have their roles in the quest for efficiency and fairness. While the first ensures progress in an uncertain world, the second - public supervision and regulation - is needed to protect and promote public interest and ensure social welfare. But the right mix is arrived at only by trial and error. In the sixth chapter of *Maqasid e Shari'at*, I briefly traced the history of sufajah, one of the earliest financial innovations. The controversies around that

instrument remain unresolved. The following reveals another controversy in the history of economic management in Islam.

"...when the ships embarked to Medina, the caliph issued a sakk (a conveyance of rights) to the potential recipients of the amounts due to them. This gave the merchants the opportunity to buy and sell the tickets at a profit even before the wheat had arrived. One of those merchants was Hakim Ibn Hizam, already an important wheat merchant. Through his speculation with the tickets he was able to realize an enormous profit. However when this became known to Umar Farooq, the second caliph, he forced Hakim to donate his profits as sadaqah."<sup>2</sup>

Something similar happened during the regime of the Umayyad ruler Marwan bin al-Hakam. People started trading sakk before actually taking possession of the wheat the sakk represented. The practice was banned when two companions of the Prophet objected and told the ruler it amounted to riba. As the following remarks by Nawawi in his commentary on Sahih of Muslim (who reported Marwan's ban on selling sukuk) makes clear, despite Umar's stricture, the practice of selling sukuk--- certificates of entitlement---continued:

"Al- Sikak is plural of Sakk which is a paper describing what is owed. Another plural is Sukuk. What is meant are the papers issued by the ruler indicating the amount (of rations) due. It says the person holding it is entitled to a particular amount of wheat or any other grain. This paper is what the person holding it sells before taking possession of the grains (mentioned on it). Scholars differ regarding these deals, the correct stand according to our colleagues is permissibility of their sale." Nawawi then goes on to report the view of scholars who do not permit such deals. As expected, the controversy relating to sale and purchase of sukuk continues today.

One needs to track the historical record of this and similar episodes. As new situations arose new transactions would have emerged. The perennial questions about fairness of new practices must have been answered differently by different people, those involved in practice, those to whom they turned for advice and those with a mandate to regulate the markets to ensure fairness.

The lesson to be drawn is in the quest for fairness in economic and financial matters the historical and classical legal texts help but only so far. Texts give the guideline but do not provide a blueprint. In drawing a blueprint for operationalizing the guidance given in the text, reason and intuition have a role, and the social conditions also matter. That is where economic analysis, particularly macroeconomics, becomes necessary. What is sometimes called *fiqh al-ma'alat* (Fiqh of Consequences) comes very near to it. But these leave a wide scope for variety in interpretation and diversity of conclusions. After all is said and done, we have to live with differences of opinion and , therefore, of practice.

As noted above, I have tried to convince Shari'a scholars not to rely solely on analogical reasoning in designing new financial products.<sup>3</sup> It is necessary to take into consideration the impact a particular practice will have on

<sup>2</sup> "Islamization of Knowledge: Reflections on Priorities" American Journal of Islamic Social Sciences, vol. 28, issue 3 , Summer 2011, pp. 15-35, available on [http://www.siddiqi.com/mns/islamization\\_of\\_Knowledge.pdf](http://www.siddiqi.com/mns/islamization_of_Knowledge.pdf) Muw'ata Imam Malik , and Ibn Hakam: *Futuh Misr*, as quoted in Mahmood Ibrahim (1990) Merchant Capital and Islam University of Texas Press, Austin, page 124;. See Malik bin Anas: Muw'ata Hadith #1313. The text of Hadith # 1313 in Muw'ata as narrated by Yahya reads: "Hakim bin Hazam purchased wheat ordered (imported?) by Umar bin Khatab for the people. Hakim sold the wheat before taking possession of it. When this reached Umar he disapproved of the deal and said: Do not sell grain you purchased till after you take possession of it."

the society as a whole. In Islamic jurisprudence there is a rich tradition of incorporating the *masalih/maqasid/ma'alat* into fresh legal verdicts. But the overwhelming fear of diversity of opinion prevents many Shari'a scholars from deviating from the (often illusory) pursuit of logical consistency and uniformity and certainty of conclusions that their current methodology supposedly promises. As a result *fiqh*, which prompted creative thinking in the first phase of development of Islamic economics is fast turning into an antiquated form of knowledge.

What determines the fate of an idea, leadership or a population's commitment: the state or the market, theory or practice, traditions long established or external shocks? While this issue is debated let us turn to another no less important question: what kind of future awaits mankind and what are its implications for Islamic economics?

## The Future

Fifty years from now the world will be different. If the pace of change during the last few decades is any indication we will have little poverty in the sense of people going without food, clothing, shelter, education and medical care. Inequality, and the indignity associated with it, rather than poverty and deprivation, will be the main reason for conflict within and between nations. Distances will no longer constrain communication and interaction. Some of the gravest threats to humanity's survival will come from outside, i.e. the environment. This will necessitate greater cooperation and pass more of economic management and political governance to supra national cooperative organizations. Whether a single world currency will materialize is doubtful, but disappearance of tangible money seems to be a possibility. Children will still be born to women, necessitating man-woman alliance. Some sort of family will continue, though with greater autonomy and equality between spouses. Health-care will still pose challenges though many existing diseases would have become curable. There is likely to be a marked fall in the rate of population growth. The inner structure of the population will call for special institutional arrangements for taking care of the elderly and nurturing children, as more and more of the working age young are drawn into the work force. Group solidarity will still be largely based on race, language and cultural traditions but people will be more tolerant and appreciative of differences. Almost total urbanization of living spaces will give new meaning to neighbourhood and call for innovative kinds of local governance. The economic landscape will be drastically changed due to new ways of providing services and new arrangements for production of goods. With the shifting power-balance from the West to the East and greater diffusion of economic muscle in the rest of the world, the role of power itself may decline leaving greater scope for cooperation at the global level.

What will be the implications of these changes for finance? Will financial intermediaries become redundant? Or, at the least, will their role decline? Will risk and uncertainty increase or decrease? Will markets be more transparent and more 'complete'? Will the proliferation of NGOs further strengthen the third sector (the voluntary sector), downsizing the role of the state? While these questions will engage researchers for decades to

come ( probably expanding the area of "unknown unknowns" simultaneously with increasing mankind's stock of "known unknowns"), let us focus on Islamic economics in the broad sense. The inner self of men and women will continue to be relevant, perhaps gaining in importance. Technological revolutions of the last few millennia have not affected how we look at life, death, and beyond. Affinity or alienation, empathy or hostility, Darwinian competition or benevolent cooperation, these choices will determine the quality of life.

Research on exactly how much of a choice there really is will never be completed; it is perception that matters. The impact of Islam on economic management, as in other aspects of life, will be largely determined by the interpretation of the texts. The losers will be those who stick to interpretations that long lost their relevance; the winners who succeed in interpreting the often multi-layered texts in a way that answers the survival imperative and meets the needs and aspirations of the people.

Time to turn to specifics: I think debt-financing has had its day, something else is going to replace it. Most probably a whole range of asset linked securities catering to different appetites for risk-taking, but all based on risk-sharing, will take its place. Maybe some kind of participatory finance will replace much of the for-profit financial activities currently in vogue. Money and its management will undergo radical transformation as physical money dissolves into bits and bytes, geographical boundaries lose their relevance and political divisions succumb to economic necessity. Trade will flourish internationally and locally to a greater extent than what we characterize today as domestic trade. The role of the state will increase in the context of cooperation at the international level but may yield some more space to voluntary organizations in the domestic economy. As the international economy becomes more and more integrated, local interaction may also expand supplanting the quest for individuality that increased loneliness and anxiety without adding to happiness. Large multinational corporations will still have some advantages but local entrepreneurship serving niche markets will proliferate.

## Agenda for Islamic Economics

- At the theoretical level Islamic economists should continue to focus on how Islamic values could shape the behavior of economic agents leading to a market performance that improves the state of the world.
- Simultaneously Islamic economists should model Islamic institutions of zakat, inheritance laws and risk-sharing into a macro- economy that works.
- Focusing on Islamic guidelines for economic management, our research agenda should comprise designing institutions and structures that embody Islamic guiding principles.
- One of the priority tasks is to make it easier for people to care for others, simultaneously with their own pursuits. This has a positive and a negative side, encapsulated in the maxim: Do not inflict injury or repay

<sup>3</sup> "Shariah, Economics and the Progress of Islamic Finance: The Role of Shariah Experts." *Seventh Harvard Forum On Islamic Finance* ([http://www.siddiqi.com/mns/Role\\_of\\_Shariah\\_Experts.htm](http://www.siddiqi.com/mns/Role_of_Shariah_Experts.htm) Last Accessed: 25/02/14)

the injury with another [la darar wa la dirar fil Islam].

- Given the will to do good, what one can do will depend on the information one has. This leads us to institutional arrangements for collecting and disseminating information, as information is a public good. The market does not perform the function of lessening information asymmetry between contracting parties efficiently.
- A bigger problem is the all-pervasive uncertainty that envelops the future. This in fact has been the main headache of mankind since day one. The bad news is it is going to stay. The good news is history teaches us that open minds and freedom to experiment and explore can see to it that we wade through the misty, hazy tomorrows unharmed.
- The test of life on earth, success in which would determine one's place in the afterlife inheres, perhaps, more in dealing with uncertainty and exercising personal judgment, than in obeying/disobeying unambiguous laws in unambiguously clear situations.

## A Promising Future

Do I see a reprieve from the suffocating hold of the traditional bookish approach to Islamic economics and finance? Yes, I do. Theory often follows practice. As the newly emerging pro-Islamic democracies take charge of domestic economic management and participate in international financial reform, new interpretations of the texts and innovative accommodations of the contexts will give the idea of Islamic economics a fresh impetus. This is more likely to happen in countries which do not have oil wealth that enables them to enjoy the fruits of globalization and development without hard work and accommodation of diversity.

This is not to recommend doing nothing and leaving matters to politicians adept in the art of compromises. Quite the contrary, I think the current situation provides us with opportunities the like of which never arose during the past centuries. I am referring to the coincidence of a crisis that shook the self-confidence of conventional economics and finance and resurgence of popular democracies in many Muslim countries that gave a boost to Muslim self-esteem. I consider it to be a boon that most of the first few countries to be blessed by this new flowering of Islam are not oil-rich countries. Let experts in the understanding of Shari'a texts, and those designing and putting into operation economic and financial arrangements meeting the exigencies of the situations at home, join hands. Let this exercise be cosmopolitan, not confined to Muslim countries. Let it not be a bid for Muslim empowerment but, as befits the nature of the Prophetic mission, an endeavor for humanity's deliverance from catastrophe. The Western world is listening and there is an impressive pool of Islamic economic and financial talent permanently residing in the West. Deeply engrossed in doing economics and finance the conventional way till now, they may be rudely shocked to find their mentors looking East for answers. They will come around, adding to the talent-pool dedicated to Islamic economics. Now is the time to speak out, after doing the necessary ground work. The priority for the older generation of

Islamic economists is to facilitate the ground work.

"The distinctive feature of the Islamic approach to economic management is its focus on justice and fairness. The Quran lays great emphasis on this and the removal of oppression. Justice and fairness is the pivot of the Quranic notion of salah (goodness), the removal of whose antithesis, corruption, is targeted."

Considered together with the dignity accorded to human beings and the idea of all humans being brothers and sisters as created by one God, we have a clear agenda with a universal reach to work for felicity for each and all.

So, where to begin? I greatly value historical and empirical research. To various degrees, historical Muslim populations faced population increase and technological changes, even globalization, giving rise to new situations and, in economics and finance, necessitating new ways of doing business. We need to learn from the way they dealt with those novel situations.

The current crisis gave us an opportunity to draw the world's attention to the dark side of interest bearing debt financing. Adherence to interest-bearing debt financing is rooted in, among other things, the false perception that nothing else works. To demolish this falsehood we need to show how risk sharing interest-free arrangements worked for centuries. This has to be supplemented by theoretical models of a sharing based financial system as well as by practical demonstrations wherever possible. I hope the newly emerging democratic scenario in the world of Islam will provide ample opportunities for such demonstration.

Despite the un-enviable record of countries that declared their allegiance to the idea of Islamic economics in the past, Muslim economists should offer them whatever services they can and encourage them to make fresh attempts. These attempts have a greater chance for success in changing the situation of the world at large. Democracies may have a better chance for exploring various alternatives. The grip of Western/conventional international financial institutions on the economies of Asia and Africa is loosening. As the power balance between East and West shifts, the managers of Eastern economies may be able to muster greater courage and develop the political will to leave the beaten path.

We must sincerely, and with all seriousness, join the world-wide search for new financial arrangements that are less crisis-prone and more fair. Muslim economists should do it for their own countries of residence as well as at the world stage by collaborating with ongoing efforts. Favorable geopolitical conditions are crucial for the future of Islam in the world anyway. But in the field of finance Islam can have worldwide impact only by effective Muslim participation in solving humanity's economic problems.