

UDC 330.1:28
Biblid 0543-3657, 64 (2013)
Vol. LXIV, No. 1149, pp. 56–72
Original Scientific Paper
January 2013

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Islamic Political Theory : An Attempt at Theo-Economics²

ABSTRACT

This paper discusses Islamic authors' attempt to set foundation to an Islamic economics as an alternative to the global market economy and Europe's liberal economic theory. It focuses on principles, notions and practices of Islamic states and business circles of which the economic systems and policies are based on the Koran and the Sharia. A section of the paper analyses Islamic criticism of secular and humanistic ethics of human rights in Europe and relevant counterarguments. Discussing different definitions of Islamic economics by Islamic theoreticians the paper suggests that this variety of definitions testifies that there is no such thing as Islamic economics.

Key words: theo-economy, Islamic economics, the objective of Islamic economics, theo-ethical criticism of the liberal economic theory, halal and haram deals, definition of Islamic economics.

RATIONALE

The revival of “Islamic economics” in Muslim countries and Muslims' growing tendency towards the neo-Koran ideology are now integral parts of economic and political structures not only of Muslim countries but others as well. Serbia is not an exception when it comes to the interest in the political economy of Islam. And this is quite understandable considering the situation of Muslim population in the country and the fact that Muslims in its political

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² The paper is a part of the project *Political Identity of Serbia in Local and Global Context*, the Faculty of Political Sciences realizes with the assistance from the Ministry of Education and Science (project No. 179076.)

neighborhood — in Bosnia-Herzegovina, Kosovo, Albania and Macedonia — are raising practically the same questions as Muslims in Serbia.

The issue of Islam in Europe — especially in France, Germany, United Kingdom, Italy, Switzerland and Scandinavia — but also in Russia and elsewhere has itself produced models for its solution that could be incorporated — if not entirely but partially for sure — into Serbia's human rights standards, political and economic system, cultural development and international relations. Serbia has established different forms of political and diplomatic relations with some 57 countries in which Islam has been or still is a predominant religion. Serbia's relations with Turkey — throughout history and today, and independent of ongoing political and economic developments — have evolved into specific forms of cultural intertwinement that are deep-rooted in Serbia's social and psychological fiber. The rise of Islam in Turkey already visibly influences the issue of Islam in Serbia and the entire ex-Yugoslav region. It is only logical, therefore, that Serbia's local and global position calls for an active approach to the Islamic paradigm. And this paradigm is inseparable from the theory and practice of what is termed *Islamic economics*.

EARLY STEPS

Though Islamic economic postulates were outlined in the first half of the 20th century, it was only since 1960s that the principles of “Islamic economics” have been developed rapidly. They were established by theologians close to Islamic fundamentalism. Ruling elites in some Muslim countries and Islamists in non-Islamic parts of the world insist on their implementation. A growing number of Muslims adhere to these systemic principles — unrecorded in the history of Islam till the 20th century — especially in manufacture, banking, finances and trade. They emerged in 1925 under the aegis of Muslim Brothers, as a form of political resistance to Euro-American civilian and communist ideologies spread all over the globe. Soon they became a benchmark of an allegedly genuine Muslim economic identity and “fundamental” Muslims. However, economic systems predominant in Islamic countries do not operate by these principles but by those of European economies, institutions and laws that protect them, and by the principles that govern vital local markets. Curiously enough, the practice of Islamic economy is even prohibited in a notably Islamic country such as Oman.

If an influential Saudi Arabian economist such as Dr. Mohammad Umar Chapra said that “Islamic economics has a long way to go before it may be able to become a distinct economic discipline”,³ it is only understandable that

³ Dr. Muhammad Umar Chapra, *What is Islamic Economics*, Islamic Development Bank, Islamic Research and Training Institute, Jaddah, 2001. pp. 48.

Islamic economics is more discussed as a project task for religious and political circles than as a new practice in economic systems and policies. This is what Chapra said in 2001 though 23 years earlier, in 1989, in Saudi Arabia he received two awards for his work on the development of a new science and new economic-financial management (the award of the *Islamic Development Bank* and “*King Faisal Award*”).

Sunni economists are still in the search for a concept of Islamic economics. They are carefully analyzing the achievements of Shiite models in Iran after Khomeini’s revolution of 1979 despite the fact that because of Iran’s protectionism, abundant subsidies and central planning these models do not correspond to predominant ideas among Sunnis.

MAIN GOAL

The guiding idea of the ideologists of Islamic economics is to strengthen entrepreneurship and make individual entrepreneurs more independent than their European counterparts on the one hand, and to reduce corrective interventionism and planning characteristic of European states, either capitalist or socialist, on the other. Their goal can be summarized as follows: more ethics in individuals and less ethics in a state than in the present-day global capitalist economy; a Muslim must be more committed to just investment and distribution than a European; hence, a Muslim’s integrity will be above a European’s moral fiber, while an Islamic state will be smaller than a European.

According to Islamist theologians, Muslim individual entrepreneurship must be smaller in scope than European. This is not an economic deficiency, they argue, and not contrary to fact that Islamic entrepreneurs aspire to invest more liberally than Europeans because a Muslim’s ethics differs from those of an alleged European: unlike a European, a Muslim has no negative characteristics that weight on an economy such as greed, selfishness, intolerance, cheating, cruelty, prodigality, tendency towards exploitation of people or disregard for the nature. Muslim ethics are almost inherent in a Muslim economist thus making him more synchronized with the society. A Muslim’s ethics and scope of action are more restricted than a European’s. On the other hand, his actual freedom, cleansed from European “evils,” is fully independent when compared with the ethic structure of a European. This is why the guiding idea of Islamic economists is to make micro- and macroeconomics less different from each other than they are in European protectionist economy: they hope to reduce the gap between individual and social behaviors of the employer and the labor force.

In brief, a Muslim entrepreneur has a smaller investment scope and less management freedoms than his European counterpart, but in doing business pays more heed to the ethics of collective interest. He is less in conflict with the

society than a European: hence, interventionism of a Muslim state is smaller than of a European. On the other hand, however, a Muslim state must regulate the whole space beyond a Muslim investor's individual freedoms, either by itself or through the government, or ban all *haram*⁴ business deals.

The said goal cannot be attained by denying the achievements of European economy — Islamists and Europeans alike perceive as “classical” or “conventional”⁵ — but through their refinement with Muslim economic ethics that turns a *homo economicus* into a *homo islamicus*.⁶ This theo-ethics originates from the 7th century Koran, the 10th century Sharia practiced by Mohammed and Muslims, Mohammed's attitude and judgments as described in Muslim “gospels” known as 8th and 9th *Hadish* and from the economic practice all Islamic localities have adopted throughout history through mutual consultation and agreement between communities to respect one another's specific customs — through *shura*, *ijma* and *urf*. Muslim economic ideologists accept practices of non-Muslim communities only if these practices correspond to their understanding of ethics. Allegedly, they are guided by Mohammed's sayings “Seek knowledge even as far as China...The pursuit of knowledge is a divine commandment for every Muslim.”⁷

Islamic theoreticians believe that Muslim religion and historical economic practice embed value judgments that better guide individual attitudes than Europe's Christian, humanistic and secular value judgments, and that a Muslim, imbued *grosso modo* with these judgments, will be more “social” than a European. This lessens the tension between individual and general goals of social development, reduces disputes and social conflicts and turns the corrective role of a Muslim state less important than that of a Europe's. A Muslim will be by far less insistent about his individuality than a European and, thanks to his superior Islamic value judgments, will be primarily guided by social welfare rather than by his own. This is how he will behave even at the cost of his own profit and well-being in order to jeopardize not integrity of the society. This is how he will behave not because of a state's coercion — although the laws will define the notion of sociability — but because he is after heavenly rewards and Hell dreads.

⁴ Arabs write and pronounce *haram* differently and the term, therefore, has at least two meanings. One denotes things that are sinful, wicked and prohibited, and the other denotes a sacred place, unsusceptible to violence and sacrilege. The term is of Semitic etymology. According to some linguists, Arabs took it over from Jews.

⁵ Dr. Asad Zaman, *Islamic Economics : Problems and Prospects*, DG, IITE, International Islamic University of Islamabad, 2010. , p. 1.

⁶ Zaman argues that Islamic economist have not provided evidence that anything above personal gain motivates a person's deals. *Ibid*, p. 3.

⁷ Chapra, *Ibid*, footnote 36., pp. 35.

The appeal of heavenly kingdom and the fear of eternal punishment are main guarantees of the implementation of Islamic economic ethics, rather than its plausibility and competitiveness at the free market, although Islamic theoreticians argue that even at the free market this ethics is more efficient than Europe's secular and humanistic (and Christian): it adheres to God's laws. All this invests it with lasting historical and indisputably economic legitimacy. God stands behind Islamic economics — all we have to do is to properly understand his commandments in the context of Koranic laws as Mohammed did long ago and after him, in the “rashidun” past, omaijaden, abysin, mogul, fatimid, osmanli caliphates, thus adding luster to Islam throughout Ottoman territories and all over the globe. That was the time when theology and the society had stronger identity than today.

Supremely authorized to interpret the Koran, the Sharia and Islamic “gospels,” Islamic scholars, muftis, are guaranteed the status of lasting authorities in a state and a community.⁸ The facts that God's will cannot be disputed and that undermining the significance of Islam is a sin against God exclude the secular, non-Muslim democracy and back a theocratic dictatorship of one-world religion. The civil, multinational and multireligious concept of equality — that is, the European democratic system of competing ideas — is alien to an Islamic state.

First theo-ethical criticism

Islamists' main criticism of European economy is ontological and against ethically “naked” individual. A European is, they claim, a person of loose morals: a European has departed from religion and declared a secular state based on humanistic and civil ethics unrelated to God. Without God there can be no ethics, a human being is an ethic “nudist” in his nature and it was Allah, from Adam to Mohammed, who gave him value judgments: otherwise he would have been among lower species. And yet, a European is not completely unconnected with ethics because his large “welfare” state cushions individual conflicts in economy and beyond it, thus correcting the lack of divine ethics in an individual with the ethics of humanism at the level of the society. But even

⁸ The Sharia is a large collection of legal norms established in the Koran and other Muslim religious books, and the rules and verdicts ruled by Mohammed, his famous followers and Islamic scholars, muftis. Written in the 10th century, the Sharia combines rules and punishments, the latter being models for new punishments for similar cases, by analogy. In this it resembles the British *Common Law*. The Sunni Sharia is in the original, 10th century version, whereas Shiites are constantly adding to their Sharia new rules and actual court decisions — and they can continue enlarging their Sharia until the 12th imam reappears and declares the end of the world.

such mercy, justice, solidarity, charity, assistance and concern for others and a community are forced upon a European and imply an inferior mindset: they are more motivated by selfish policies for avoiding social collapse and conflicts than by an ethic system as an individual guidance.

Up to now Islamist theoreticians have not explained how possibly an individual European can be unethical while his secular state is ethically corrective, ergo divine after all. It is only in macroeconomics, they argue, that a European totters towards divine ethics, while in microeconomics he is confused and challenged by *bellum omnium contra omnes* and can react in a placatory manner only through his government: this is how he tackles protectionism, ecology, regional development, monetary issues, community schooling, public health, defense financing and other general economic problems.

Islamic economists take that European macroeconomics is a product of the remnant of divine ethics in human beings, the sacred ethics their humanism has not uprooted yet; therefore it manages, partially at least, to correct distorted renaissance citizens. So, what saves Europeans is the remnant of God in their state. Probably they also believe that humanism itself — though disproportionate to God's ethical system set down in the Old Testament and the Koran — moderates entrepreneurial conflicts and crises in a country as, after all, humanism is a passable ethical system no matter how less efficient than its Islamic counterpart. True, they do not say this explicitly.

Islamists comment not on European microeconomics (individuals such as employers and hired hands, enterprises, local self-government, etc.) as a part of political-economic systems or on the codes of conduct in entrepreneurship and trade — standards, business investments, work time and paid holidays, local taxes and dues, rules of association in trade unions and chambers of commerce, types of companies and their organization charts, business culture, labor disputes, equality of working women, business law and commercial courts — as products of an entire community's practice and economic ethics applied in local development and global historical "logos" alike that mirror Europe's ethical contribution. It was from Islam, they say, that Europe has taken elements of the same logos such as liberal economy and trade, accounting, bookkeeping, Hindu-Arabic numeral system, cession, the identity of private property and trade freedom, the right to protest, university, etc.

Islamists do not deal with fundamental ethical similarity of micro and macroeconomics: they perceive these two analytical parts of economics as physically separate rather than as a whole. Just because European economists of the 20th century methodologically classified economics into two major types — macro and micro — to make economic policies more efficient, Muslim theoreticians concluded that the two types were based on two different ethical systems. From their point of view, both systems are bad for being secular and

humanistic. Moreover, they argue that the ethical system of microeconomics is so wretched because it empowers individuals to invest for profit only and invest immorally for their sake only it has to seek refuge in a state's dramatic anti-crisis policy, the one supposed to save individualized economy that has betrayed God. Of course, there are Islamic authors who admit that European social sciences are based on ethics but ethics that are just "ethical and social tendencies towards secular teaching that is contrary to Islamic teaching."⁹

According to Islamists, anti-crisis policies of European states, regardless of their religions, do not derive from the very nature of market economy are not motivated by people's inherent incapability to use market for balanced distribution of all social resources; instead, they result from transgression of Allah's code for commercial conduct. Returning to Allah, therefore, is the only way out of a crisis.

Second theo-ethical criticism

Secondly, Islamists criticize a European's secular ethics and the goals of his economic conduct marked by selfish profiteering and the right to immorally free investment. They reproach European entrepreneurs' and employees' "positivistic" nature: employers and the working force alike, they argue, do not have an economic normative system and are, therefore, mutually asocial. Self-consideration and worship of individualism manifest their asocial behavior.

They see the European liberal theory as unethical: not because they are unfamiliar with it but because it suits them to quote only those Euro-American authors prone to neglect that the liberal theory is the ideology *in spe*, arguing that a liberal individual is an incarnation of the human being's eternal natural state rather than an outcome of a long and thorny historical logos. A human's natural state stands for a theoretical model rather than for continuous and unchanging life throughout millennia. And Islamists are well-aware of this, given that liberalism also has its roots in Islam. Mohammed was a strong advocate for market economy and against protectionism. Europeans are familiar with liberal economies of Arabian-Persian caliphates, Mogul and Turkey. Mohammed denied, *ipso facto*, the benefits of uncommercial types of economy in the past or in the antique capitalism of his era.

In this Mohammed goes far beyond Jesus' natural community concept of Jewish life that Zionists and vulgar Israeli socialists tried to develop through the

⁹ Dr. Asad Zaman, *Lectures on Islamic Economics, 15 lectures, Lecture 2 – Origins of Western Social Sciences*, February-March, 2011, III Faculty, <https://sites.google.com/site/asadzaman/> . Zaman claims that Islamic authors accepted European delusion that social sciences had discovered the laws of human behavior, that these laws are "positive" and reflect the natural state, despite the fact that such laws are non-existent. There are only God's laws, he says.

20th century kibbutzim and far beyond Jesus' criticism of private property. Mohammed is a clear-cut advocate for the "sanctity" of private property and market economy; he is an apologist of a market freed of monopolies and protectionism. He is actually an early Adam Smith — and not only as the first ideologist of modern liberalism but also as the first statesman who broke out the flag of free trade, 13 centuries before French Psysiocrats and English Liberals of the 19th century.

Nevertheless, Islamists, eager to negate the secular and humanistic model of European entrepreneurship and the European welfare state, label the individual a ruthless and self-centered investor, while his state too big and too expensive because it intervenes in individual conflicts by paying out from budget more than necessary. For them, the European economy is suboptimal in microeconomics and macroeconomics alike. As they criticize crises, banks, solutions to European economic conflicts, commercial associations and monopolies, global distribution of economic power, democracy, ideological freedoms and other factors of the contemporary political economy, they blame "ideological hollowness" of the Euro-American sphere for all the weaknesses of the global economy: the hollowness that is only logical considering that politics and justice are separated from God.

Negation of the European model of humanism and secularism is just a prelude to Islamists: a preface to a new ideology to be launched in the political arena, allegedly God's ideology that, as such, is not a matter of choice but a commandment, and a preface to recomposition of the global economy and distribution of political and economic power to be attained through the spread of Islam. Up to now, however, they have not reached an agreement on how to formulate Islam economics and on how an Islamist "citizen," the newly chosen God's individual, should invest more "socially" than Norwegians, Danish, English, Japanese, Americans and others so as to lessen the strain and types of today's crises, and restore Muslims under the aegis of a just and social God's state. The problem with Islamists is that they are incapable of formulating an efficient theoretical criticism of secularism, liberalism and democracy. Neither can they construct an operating model of a new alternative to the global market society.

This means not that all of their criticism is futile and socially senseless. They deny each and every, past or present, European theoretic-political criticism of commercial society and global distribution of power: they provide well-thought-out arguments against socialism, fascism, Peronism, Nazism, communism, feminism, neo-liberalism, social democracy, etc. And when they speak of Islamic paradigm, they hope it would shed luster on novel solutions.

Some Islamic theorists criticize the attempted Arab or Islamic socialism in 1950s-1970s (Maghreb and Pakistan till the coup d'état of Zia Ul-Haq) for its

reliance on Soviet and Chinese socialist spheres. On the pretext of opposing communist atheism, Islamists are after restructuring global power. Ayatollah Taleqani of Iran says, “Islamic economics is based on neither unlimited freedom of individual ownership which results in unbridled capitalism nor public ownership which leads to total Privation of individual freedom.”¹⁰ On the other hand, some Islamic scholars seem rather attracted by the idea of socialism — though cleansed from atheism. So building on a communist slogan, Abulhassan Bani-Sadr, the first president of the Islamic Republic of Iran after the 1979 revolution, wrote in his book “The Economics of Monotheism”, “To produce according to one’s capacities, to consume according to virtue.”¹¹

PRINCIPLES

Contemporary Islamists, especially Deobandis and Wahabbis, insist on two principles of financial deals that differ from conventional ones. One forbids income interest on savings, loans and some bonds — and is called *riba* — while the other deals with forbidden production and services (*haram*), more just distribution of losses and financial risk management — and is labeled *gharar*. Neither of the two principles is of Islamic origin — they both have roots in Judaism, Old and New Testament, ancient Greek and Roman practice, Aristotelian and Platonist philosophies, Hinduism and Buddhism. By taking over these principles, today’s Islamic fundamentalists reinterpret them according to new forms of economic conduct. This is what they have been doing since 1940 when Pakistani Maulana Abdul Ala Maududi, the founding-father of contemporary Islamic extremism, begun setting down the rules of Islamic economics.

Throughout history Muslims have never adhered strictly and uncontroversially to the principle that bans income interest the Koran seems to be clear-cut about (Surah al-Baqarah, 2:275, 2:276 and 2:278, Surah Al Imran, 3:130, etc.) — because *reis-ul-ulamas* have renounced it in their fatwas. So, say, in the 16th century Turkey, in the era of Suleiman the Magnificent, Chief Mufti, Sheikh-ul-Islam Ebussuud Efendi issued a fatwa that justified income interest, almost at the same time when in the West, in Spain, Dominican Francisco de Vitoria taught the same at the University of Salamanca. In the modern times, this was also what Great Imam Sheikh Mohammed Sayed Tantavi preached in the Al-Azhar Mosque in Cairo. In 1989 he justified some forms of income interest (on financial securities or government bonds, *sukuk*). Given the double meaning of the term *riba* denoting usury on loaned money and excessively high interest rate, the advocates for the income bearing interest argue that Mohammed was only against usury that had been abundantly practiced by pre-Islamic Arabs.

¹⁰ Saeed Mortazavi, *Political Economy of Islam*, Humboldt State University, 2003. pp. 79.

¹¹ Mortazavi, *ibid*, pp. 81.

How possibly Mohammed, successful tradesman and advocate of the just commercial law, could be generally against income earning interest and why, after his death, the authors of Koran failed to understand that he had opposed usury only? The history of income interest in the Islamic sphere marked by interest earning on loans might provide one of the answers, though the one not to be uncritically accepted as business circles' proper interpretation of Mohammed's teaching. Another explanation might be that income interests on loans were such a deep-rooted practice, inherent to the one-thousand-year history of loans, that it survived independently from Islamic malevolence to any increment on a loan or debt. This is why *riba* is considered among the seven mortal sins, the fourth after believing in gods other than Allah, practice of magic and unjustified murder. This indirectly explains why interest earning on loans and debts has been so widespread though prohibited in the Koran but proves not that Mohammed was misunderstood. The fact that early Christian theoeconomy had also strongly opposed income earning interest till the late Middle Ages when permitted by Henry the Eight of England in the 17th century testifies of Christians' and Muslims' equal understanding of economic teachings of Talmud, Torah, Mihna, New Testament and other writings. Both Christians and Muslim made no difference between "normal" cost of capital, "normal income interest" and usury nor allowed income interest in principle.

And yet, Christianity allowed income interest on loans to non-Christians the same as Judaism had allowed it when it came to gentiles. Early Christianity also permitted income interests on loans to nonbelievers, especially to Jews, the same as Jews earned on loans to non-Jews. The present-day credit relationship paved its way through interreligious cooperation. Under the influence of Jewish pawnbrokers in Lombardy, Europeans had used the procedure known as *contractum trinius* to bypass the ban on income interest until they adopted direct interest charging. *Contractum trinius* obliged a debtor to cash the interest only once he had paid off the entire loan to a lender who had earned on it to a certain extent, and obliged him to compensate the lender in advance for possible losses he might suffer in the case of the debtor's bankruptcy. Repayment of debts was guaranteed by mortgages — a practice especially developed by Templars. The Church approved *contractum trinius* and, hence, enforced claims on mortgaged property given that such practice resembled the traditional pre-Christian banking Jesus had not advocated against. The Church did not demur at pawnshops although they implicitly operated on the principle of income interest: pawnshops' loans to their clients are always smaller than the actual worth of pawned properties for which the clients have to pay more to buy out.

Muslim banks operate in the similar manner today. They do not pay income interests on savings and charge not interest rates to their debtors. However, this is what they actually do in roundabout ways known as *murabaha* and *mudaraba*. A

depositor will be rewarded for his loyalty to a bank — which equals passive interest — while debtors will pay a bank extra moneys for having bought for them commodities they wanted to buy themselves in the first place — which equals active interest. In deals as such banks charge interest rates that are far beyond conventional, almost usurious. An Islamic banker says, “The price for getting into heaven is about 50 basis points.”¹² Besides, banks want a debtor to pledge his property to guarantee repayment of the debt or provide government bonds known as *sukuk* the interest on which is fixed — because these bonds were proclaimed *halal*, despite the Koran.¹³ Government bonds are one-hundred-percent guaranteed by some public property, whereby a government guarantees that it will compensate an investor in the event the investment fails.

Theo-economic principles of Islam boil down to *halal* and *haram* — to what is allowed and to what is forbidden. *Makruh* is in between — it denotes something that is allowed under the law but is ethically unwelcome (such as smoking, excessive, ritual use of water, etc.). This principle is also founded on ethical deduction of scriptures rather than on their explicit orders. These principles were nothing new to big, pre-Islamic religions: they are to be found especially in Judaism, Brahmanism, Buddhism, Zoroastrianism, Christianity and others. When it comes to diets, hygiene and the use of water these principles are visibly connected with climate in which they originated and medical achievements of the Ancient Era but also reflect adverse effects of economic practice of their time.

Islamic economists revive ancient economic prohibitions by advocating their strict implementation not only in traditional forms but also by spreading religious prohibitions to other forms of production and finances, as well as to commercial forms of culture and entertainment.

This is how they try, among other things, to impose the Islamic system on political systems, culture and education, family laws, social policies, penal codes and other spheres of life. They are echoing the failed European fascists, Nazis and communists’ attempts at some new social engineering but are also manifesting opposition to many cultural values of Europe’s liberalism. But in economics, no matter how hard they try to form alternative market economies based on theocratic principles, Islamic fundamentalist actually have little space for maneuver. When it comes to spending, they have been usually parroting the Old Testament dietary rules so far. And when it comes to manufacturing and finances they are focused on the ban on some products and services dealing with

¹² Richard Morais, *Don't Call it Interest*, Forbes, 07.23.07, quote by Alexander R. Alexiev, *The Wages of Extremism*, The Hudson Institute, 2011. pp.101.

¹³ In March 2008 in Bahrein Shiekh Muhammad Taqi Usmani, member of the Accounting and Auditing Organization for Islamic Finance Institution — AAOIFI said that 85% of Islamic government bonds were actually non-Islamic. Source: news. bbc.co.uk, December 11, 2009.

meat, gambling and unchastity, as well as on the ban on fixed incomes, all of which they consider unjust though not economically inefficient.

In fact, they are intervening against interest rates and for division of responsibility in creditor-debtor relationship in commercial banking. They are not against government credits and rental income. These are allowed for being *halal*. This is far below what is needed to create an entire new market economy. And speaking of consumer restrictions they have been combining with existing laws — such as the ban on liquor, bloody meat of animals (but not fish), ban on pork and hare meat, etc. — they are more after the revival of religious discipline in the name of God and the control over the population for the sake of power than they are able to justify adherence to the Ancient Age prohibitions against the backdrop of contemporary customer practice. Neither has their attempt to impose economic perception of the terms such as *justice, moderation, fight against pollution and charity* that would basically differ from Europeans' resulted in social gaps smaller than those in Europe nor neared their achievements to Europe's in the domains of ecology and care for the helpless and the underprivileged. Gini index of distributive justice is by far lower in Europe than in the countries of Islamic provenience — either sheikhdoms, kingdoms, military dictatorships or democracies — regardless of the wealth of their ruling elites.

But this has not yet dissuaded Islamists from denying the practice of the Euro-American hemisphere the governments of which impose laws on religious discipline no longer: in the Euro-American hemisphere religion belongs to the domain of individual rights and freedoms, whereas laws guarantee religious “competition” (although state religions do exist in some such as Norway and England) as long as it is not misused to undermine the status of a secular and liberal state.

No doubt that Islamist will continue their search for financial and economic concepts systemically different from European despite the findings of Mariani Abdul Majid's research that testify to the contrary.¹⁴

DEFINITIONS

Islamists are still far apart on reaching an agreement on Islamic economics. Almost every author has defined it in his own way. This shows how hard it is for them to totally renounce the contemporary market economy and institutions of a civilian state, but also indicates a variety of their starting points for

¹⁴ Mariani Abdul Majid, *The Efficiency of Islamic and Conventional Banks*, Aston University, p. 2, 2008. She says: “The results show that Islamic banks have higher costs and reduced outputs relative to conventional banks“.

sustainable transformation of the economic ideology of the Koran into a modern economic system and policy. Muhammad Chapra has arranged differing definitions of Islamic economics of Muslim authors as follows:¹⁵

- Islamic economics is the knowledge and application of injunctions and rules of the Sharia that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society (S.M. Hasanuzzaman);
- Islamic economics is a social science which studies the economic problems of a people imbued with the values of Islam (M.A. Mannan);
- Islamic economics is a systematic effort to try to understand the economic problem and a man's behavior in relation to that problem from an Islamic perspective (Khurshid Ahmad);
- Islamic economics is the Muslim thinkers' response to the economic challenges of their times. In this endeavor they were aided by the Qur'an and the Sunnah as well as by reason and experience (M.Nejatullah Siddiqi);
- Islamic economics aims at the study of human well-being achieved by organizing the resources of the earth on the basis of cooperation and participation (M. akram Khan);
- Islamic economics is the representative Muslim's behavior in a typical Muslim society (Syed Nawab Haider Naqvi).

To these we can add yet another definition, the one Dr. Masudul Alam Choudury launched in 1974 claiming he was the founding-father of the science of Islamic economics.¹⁶ He said, "Islamic political economics is the study of the relationship between a political system (shura) and an ecological system the subsystem of which is market."

There are other definitions of Islamic economics. But instead of clarifying its meaning additional quotes would just further demonstrate that Islamic economics is a product of the 20th century ideological confusion triggered off by the above-mentioned Maulana Abul Aala Maududi (1903-79) that has not been untangled to this very day. At the beginning Islamic economics stood more for advocacy against European colonialism and many of Europe's cultural and political values than anything else. Its effects have been more political than economic so far: it has been used as a slogan calling upon Muslims to seek redistribution of global power but also as a safeguard of the well-established

¹⁵ Chapra, *ibid*, footnote 32, pp. 33.

¹⁶ Dr. Masudul Alam Choudury, *Islamic Political Economy*, Introducing Islamic Political Economy, <http://faculty.uccb.ns.ca/mchoudury/pe.htm>.; quoted in Dragan Veselinov's book *Muhamed na Isusovom krstu — politička ekonomija islama* /Mohammed on Crucifix: *Political Economy of Islam*/, Čigoja štampa, Belgrade, 2009. pp. 19.

clans in power that justified their domination by “outside” enemies, opponents of Allah. It goes without saying that muftis and theologians of the heavenly kingdom on earth are the most fervent advocates of Islamic economics as the idea itself upholds their “caste” of authentic interpreters of God’s will. But Europe’s history often troubles them. For, Europe found out the hard way that in the industrial era political privileges could not derive from lasting ideological monopolies that are smaller than the concept of a civil state, rather than deistic or any other. Islamic states are still paving their way to modern economies and free market institutions such as trade unions, professional associations, chambers of commerce, consumers’ associations and other institutions of socioeconomic communication and social equality. They will be faced with even bigger challenges in the future while trying to imbue these institutions with Islamic interpretation of religion.

There is no such thing as an Islamic market economy for the time being. According to some Muslim economists, the Islamic financial system — allegedly in accordance with the Sharia — has adapted itself in no way to modern times. Dr. Asad Zaman says, “To the extent that Islamic financial institutions represent the reshaping of Islamic Laws in accordance with the demands of modernity, these represent the failure rather than success of Islamic Economics”.¹⁷

What could survive as “Islamic” in economics — except for some requirements dealing with credit relationships and trade safety — are only some budgetary rules for redistribution of a portion of national income in accordance with customers’ needs that correspond to local cultural patterns and traditions. Though in Islamic countries macroeconomic justice could differ, this way or another, from European models of budgetary spending it generates not Islamic economics but only mirrors “national” folklores of specific territories. But by the system in which lands, labor and capital are allocated and by the position of an individual entrepreneur Islamic economics is not set apart from the global market. Islamic ethics has not prevailed in economics yet.

CONCLUSION

Created in the first half of the 20th century, the paradigm of Islamic economics was a product of the “fourtieth” endeavor of Islamic theologians to model their communities on interpretations of Islam. What were the focuses of these four endeavors? First, to liberate the Muslim sphere from European colonialism. Second, to effectuate a new social engineering beyond the

¹⁷ Dr. Asad Zaman: *Islamic Economics: Problems and Prospects*, DG, IITE, International University of Islamabad, 2010. p. 1.

European sphere — that had challenged Islamism after the WWI with socialism, fascism and Nazism — through some new pan-Islamic caliphate. The attempt to separate the Muslim world from Europe's secular ethics of civil society through criticism of liberal, social-democratic systems is an element of this engineering. Third, to construct a political economy independent from Europe's reconstruction and strengthen the primacy of religious ideology of the society in order to prevent free competition of ideologies and religions in liberal democratic communities. Islamic theologians were after justifying the dictatorship of one religion and theocracy. Fourth, and as a logical follow-up, to secure lasting political and ideological supremacy of the mufti "class" among the Muslim population.

Both Sunni and Shiite Islamists are after these goals.

The author coined the term *theo-economics* to denote Islamists' attempt to extract from Islam a new economic ideology to guide economic institutions and policy.

Islamic economists warn that a new market economy, differing from the economy of today's Europe, has not been established yet in Muslim states or elsewhere. Up to now, "Islamic" interventions have been mostly concentrated in some credit and banking procedures, and financial systems. This primarily refers to banks that avoid charging income interest as "interest rate," although this rate is indirectly charged as the cost of capital. Further on, these interventions are evident in issuance of government bonds, insurance policies and in lists of allowed and forbidden types of production and trade. In Muslim countries and regardless of their specific traits, budgetary spending is incorporated in the structure of social-democratic government. The scope of interventions invoking Islamic "originality" is insignificant as a whole. Even some procedures that are historically authentic are strongly criticized by Islamic authors themselves. However, when it comes to reducing differences in consumer spending numerous traditional forms of redistribution are still available to Islamists. "Islam offers a rich set of instruments and unconventional approaches, which, if implemented in true spirit, can lead to reduced poverty and inequality in Muslim countries plagued by massive poverty," say some authors.¹⁸

Islamic authors have not yet found a generally accepted definition of Islamic economics.

¹⁸ Mahmoud Mohieldin, Zamir Iqbal, Ahmed Roston, Xiaochen Fu, *The Role of Islamic Finance in Enhancing Financial Inclusion in Organization of Islamic Cooperation (OIC) Countries*, The World Bank, Islamic Economics and Finance Group, December 2011, Abstract.

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