EXAMINING THE META-PRINCIPLES OF MODERN ECONOMICS AND THEIR IMPLICATIONS FOR ISLAMIC BANKING AND FINANCE

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The foundational principles of modern neoclassical economics, as of other disciplines of the social sciences, have been influenced by the overall trajectory of post-enlightenment, secular, humanistic thought and its epistemological roots such as rationalism, methodological individualism, and the assumed supremacy of the scientific method as a way of evaluating all forms of knowledge. This paper contends that an Islamic economics and finance bereft of analyzing and addressing these principles has inadvertently reinforced the very same problematic structures it originally intended to replace.

Keywords: Economics; epistemology; Islamic Finance; Islamic Economics; post-enlightenment thought; scientific rationalism.

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There is no such thing as philosophy-free science; there is only science whose philosophical baggage is taken on board without examination. (Daniel Dennett)\textsuperscript{1}

**Introduction**

The Islamic tradition, like the other major religious traditions, places a great deal of emphasis on vision, intention, and direction. The Qur’ānic query *So where then are you headed?* (Q 81:26) harkens the reader to constantly examine one’s motives and assumptions with regard to the ultimate goals being pursued in any endeavor. This intricate interplay between means and ends is of vital importance, particularly in examining the role of any social or natural science, economics being no exception. This is far from being an exclusively Islamic proposition: noted economist E.F. Schumacher has alluded to this imperative in his book *Small is Beautiful*, highlighting that all economics is derived from a larger instructive paradigm of meta-principles. It was Schumacher’s position that a viable alternative to what he considered the materialist excesses of modern economics would best be served by a faith-based paradigm. Though he highlighted Buddhism as an illustrative example in the landmark fourth chapter of his book, he noted, “The choice of Buddhism for this purpose is purely incidental; the teachings of Christianity, Islam or Judaism could have been used just as well.”\textsuperscript{2}

The foundational principles of the economic system that Schumacher was keen to replace had been well-secured in the centuries preceding him. This paper seeks to outline the intellectual and historical genealogies of these principles, for they are directly relevant to any debate concerning the meaning, content, and purpose of Islamic Economics and Islamic Finance, as well as the correctness or otherwise of their subsequent direction.

**Aftermath of Colonization**

Through the advent of the colonization of Muslim lands, most of the Islamic world was brought into a Western-imposed economic order for which it was ill-prepared. This resulted in the systemic unravelling and destruction of its traditional socio-economic structures and institutions. Consequently, most of the institutions with relevance to finance that exist today in the Muslim world, such as capital markets, corporations, etc., find hardly any antecedent in classical Islamic civilization. Likewise, contemporary perspectives and new understandings in regards to matters of wealth creation, debt, risk, etc., are all


characterized by an ethos and belief seemingly alien to much of the Muslim and medieval world. Arguably, the “great western transmutation”\(^3\) that so revolutionized political, economic, social, and human relations in the middle ages never occurred in the Muslim world.\(^4\)

As a result, accompanying decolonization, the last four or five decades have seen an attempt in the Muslim world to ‘return’ to Islam, with scholars and academics attempting to recast economics and other social sciences into the light of Islam’s normative principles. Arguably, however, such stated ideals have achieved little success in terms of their realizations. Scholars such as Nasr assert that the theoretical works of Islamic economics “failed to escape the centripetal pull of western economic thought,” and have instead “been caught in the intellectual web of the very system it set out to replace.”\(^5\)

**Intellectual Failure of Islamic Economics**

The contention that Islamic economics has failed is based on the view that this project was derailed at the outset itself, by not successfully unpacking the epistemological and socio-historical foundations of modern economics (its underpinning meta-principles), and subsequently failing to transform them in accord with Islam’s normative positions. According to Syed Naquib al-Attas, this is the key to any successful “Islamization of knowledge”; namely that the philosophical foundations underpinning that knowledge be critically recast into the Islamic metaphysical and axiological framework. As al-Attas points out with reference to science in general:

> We do affirm that religion is in harmony with science. But this does not mean that religion is in harmony with modern scientific methodology and philosophy of science. Since there is no science that is free of value, we must intelligently investigate and study the values and judgments that are inherent in, or aligned to, the presuppositions and interpretations of modern science. We must not indifferently and uncritically accept each new scientific or philosophical theory without first understanding its implication and testing the validity of values that go along with the theory.\(^6\)

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4. Alongside Hodgson, this was also the position of many orientalists such as Bernard Lewis in his *Islam and the West* (New York: Oxford University Press, 1993), 183.


In a spirit of supporting this endeavour, this paper posits that the meta-principles of modern economics are best traced back to post-enlightenment thought that arose in Western Europe. It was the enlightenment period and its subsequent general direction, referred to by some as “technicalistic progress,” which marked a path that Western Europe was to adopt from the seventeenth century onwards. In general, this was marked primarily by a transition from religious to secular thought, and a shift in societal structure through previous ‘traditional’ societies morphing into ‘rational’ ones. Scholars such as Foucault note this period as when ‘man’ first emerges within the field of western knowledge. In his book the *Ascent of Humanity*, Charles Eisenstein argues that it was this period that saw the definitive articulation of the ‘Scientific and Technological Program’, referred to by him as the defining myth of modernity.

Through time, the ancient maxim of Protagoras (500 BCE) received

7. Hodgson, *Venture of Islam*, vol. 3, 176-222. Hodgson describes the term ‘technicalization’, as being “a condition of calculative (and hence innovative) technical specialization, in which the several specialties are interdependent on a large enough scale to determine patterns of expectation in the key sectors of a society.” He chooses to distinguish between the term ‘technicalization’ and ‘industrialization’, in viewing the latter as being only one aspect of the whole process.

8. Hodgson defines a rational society as one in which, “choices can be determined less by the dictates of ancestral custom and more by practical calculation of immediate advantage.” In keeping with Benthamite utility, he defines it as one in which, “Immediate efficiency will be valued more highly than continuity with the past, and people will therefore be less hesitant about change lest it prove degenerative.”

9. Michel Foucault, *The Order of Things: An Archaeology of the Human Sciences* (London: Routledge, 2005), in the preface of which he states, “But as things become increasingly reflexive, seeking the principle of their intelligibility only in their own development, and abandoning the space of representation, man enters in his turn, and for the first time, the field of Western knowledge.”

10. Charles Eisenstein, *The Ascent of Humanity: Civilization & the Human Sense of Self* (Berkeley, CA: Evolver, 2013), wherein he cites the modern “myth” of the “ascent” of man as being one from the depths of ignorance and powerlessness into the light of scientific reason and mastery. He contends this myth as being premised on two parallel “mythical” stories: a Scientific Program promising complete understanding and a Technological Program promising complete control. Together, in essence, these Programs encapsulate the defining myth of our civilization, namely that: “Science will find an answer and Technology will find a way.”

11. “Man is the measure of all things: of things which are, that they are, and
renewed vigor, culminating in what Nietzsche referred to as the “Death of God,” heralding the arrival of ‘rational man’ and eventually ‘economic man’ (*homo economicus*). As Eisenstein has noted, though the process would involve various stages, it was arguably the great names of the Scientific Revolution—Galileo, Newton, Descartes, Leibniz, Bacon—who in their definition and quantification of motion, matter, energy and force would go on to eventually provide the conceptual and methodological underpinnings that would help set into place what he refers to as the “objectification of nature.” Over the course of the next three centuries this process would go on to gradually dominate practically all mainstream fields of academic knowledge (again, economics being no exception).

**The Meta-Principles of Scientific Knowledge**

This paper asserts the key elements of post-enlightenment scientific knowledge include the following:

**Emphasis on the secular and an eradication of a sense of the sacred.**

The trajectory of thought from the enlightenment era onwards can arguably be seen as an ever-increasing separation from the Divine. The physics of Galileo, Descartes, and Newton implied that with the new laws of motion, everything keeps moving by itself through rational, natural laws. Thus, with motion objectively extrinsic to and transferred between objects, God was no longer seen as necessary to animate the world. Descartes and others proposed that animals are machines too, that no inner anima, no spirit, is needed to animate them either. God was thus removed from the world of matter, becoming, in

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12. Readings of Nietzsche’s works indicate that this was not an attempt to say God does not exist or that “God dies” but was instead a metaphorical assertion that God as understood in Christian Western Europe was culturally, historically, and/or sociologically no longer relevant. As such, his primary concern was historical, that of demarcating a new epoch in human existence; saying less about God, or of a conception of God, and more about culture and history. In that light Nietzsche’s comments are an admission that effectively presupposes the effectiveness of the ‘rational’ assault on Christianity as having permanently altered the direction of those societies, thereby creating a historical landmark after which things would never be the same again, a landmark he chose to refer to as being the equivalent of God dying.

13. At its root, the Scientific Method assumes that there is an objective universe “out there,” that we can query experimentally, thus ascertaining the truth or falsity of our theories. With nature being a self-subsistent entity that can be encapsulated exhaustively in the quantitative formulae of natural sciences, this then leads into other key assumptions of which reductionism and determinism are among the key components.
a parable of the time, a watchmaker God, with creation becoming a discrete act existing almost independently of Divine agency. What thus remained, for Descartes in his *Discourse on Method*, was for man to master these rules and become the “lords and possessors of nature.”

**Emphasis on naturalistic determinism.**

The scientific method also assumes determinism, namely that the same initial conditions will result in the same intermediate and terminal conditions. Thus nature has to be ruled by a rigid naturalistic determinism, with everything, in principle, being predictable, akin to a giant clockwork machine inexorably going through its predestined motions. This is why the machine model was the dominant metaphor of science, and anything not seen like that was regarded as unscientific: the eye was a camera, the heart a pump, and (later) the brain a computer.

**Emphasis on rationalism and empiricism, with a subsequent exiling of qualitative and subjective experience from the definition of knowledge.**

In distinguishing between primary and secondary qualities, Galileo arguably laid the foundations for modern empiricism: namely that reality is limited to what can be measured quantitatively, and it is only through the channel of empirical science that access to ‘reality’ can be gained. This issue was later taken up in philosophy by David Hume, one of the pillars of modern empiricism, when he stated: “Let us ask, Does it contain any abstract reasoning concerning quantity or number? No. Does it contain any experimental reasoning concerning matter of fact and existence? No. Commit it then to the flames; for it contains nothing but sophistry and illusion.”14 Just as the subjective was sought to be eliminated, increasing efforts were expended to quantify the qualitative. In Newton’s universe, objects were reducible to a mass interacting through impersonal, deterministic laws. So sounds were reduced to sine waves, visual experience to pixels, and ultimately emotions to electro-chemicals. The behaviorism of the mid-twentieth century as embodied through Pavlov’s experiments sought to explain the ‘technology of behavior’ and served as a prelude to today’s psychiatric medication drugs that explain emotions in the context of serotonin and various other chemical imbalances.

**Separatism and dualism with subsequent emphasis on reductionism in the study of nature.**

As Cartesian dualism allowed the entire universe to be seen as a mere aggregate of mutually disconnected objects of perception, reductionism followed. To the scientific method, uniqueness was/is an illusion, since all objects are merely different permutations of identical, generic protons, neutrons, and electrons.

At its most basic level, the scientific program requires two examples of a single element to be identical. An electron is an electron. The same goes for a proton, a neutron, and thus everything built from them—all atoms, all matter. This is why at a broad level, biology is reduced to chemistry and the 92 (and counting) chemical elements are (successfully) further reduced to simple subatomic particles, which are then at the quantum level further reduced (less successfully) into various subatomic forces. Today we are constantly told that physicists are closing in on a Unified Field Theory that would reduce these particles, again, to just so many permutations of something even more fundamental. This is the deep philosophy permeating the quest to reduce all we know to a few basic building blocks, the constant search for the elusive ultimate sub-atomic particle that will finally serve as the missing link in finalizing the “Theory of Everything.”

A culmination of the foregoing features as a quest for the absolute control of nature and the effective deification of man.

In an ultimate sense, the quest of reductionism could be said to be a quest for perfect control. As one of its more famous proponents, Michio Kaku, has said, “An equation one inch long...would allow us to read the mind of God....Any sufficiently advanced technology is indistinguishable from divinity.”

Thus, to its proponents, perfect deterministic, reductionist knowledge suggests the possibility of perfect control, and perfect control is tantamount to being Divine, and thereby replacing God with man himself.

How Did These Meta-Principles Influence Economics?

Intellectual discipline in Western Europe was increasingly sought to be defined through secular, value-neutral, and materialist perspectives. The more rational and empirical the distinct form of knowledge, the more prestige was proportionally assigned to it. Thus special importance was accorded to Newtonian physics, primarily because it was deemed the most precise in the reductionist order of things. Eventually, just as (using a few basic laws of motion for bodies and particles) Newtonian physics was able to present a unified treatment and description of a large number of seemingly unrelated and chaotic natural phenomena, similarly efforts were made to use reductionist laws to explain a variety of societal complexities within the social sciences, including economics.

Historians of economic thought such as Mirowski maintain that the founders of neoclassical economic theory imported the mono-utility approach from nineteenth century physics in an attempt to impose a “unity of analytical


tools” between the disciplines. He maintains that “neoclassical economic
theory is bowdlerized nineteenth century physics....Present research techniques
may be favoured because they were appropriated from physics....neoclassicism
was not ‘simultaneously discovered’ because it was ‘true,’ instead, the timing
of its genesis is explained by the timing of the energetics revolution in physics,
and by the fact that scientifically trained individuals in different Western
European countries at that time had access to the same body of knowledge
and techniques.” Later authors, such as Olson, also document the prestige
accorded to Newtonian physics and the subsequent effort to model the social
sciences along similar lines, thereby further reducing them to physics and
mathematics.

The intent of the founders of modern neoclassical economics, such as
Leon Walras, who, in his Elements of Pure Economics, claimed that “the pure
theory of economics is a science which resembles the physico-mathematical
sciences in every respect,” is evidently corroborative of Mirowski’s thesis. The
writings of early neoclassical economists, including Wilhelm Launhardt (1832-
1918), Rudolf Auspitz (1837-1906), Richard Lieben (1842-1919), Vilfredo Pareto
(1848-1923), and Irving Fisher (1867-1947), are ubiquitous in appropriating
metaphors from physics and mathematics into theories of economic science.
As such, neoclassical economics as it emerged began to strip itself free of the
normative moral value judgements previously emphasized by Aristotelian
and Judeo-Christian thought, culminating in its formal identification as a
‘scientific’ discipline after the 1890 publication of Alfred Marshall’s treatise
Principles of Economics.

With a continual emphasis on equating economics with more empirical
and quantitative sciences such as physics, key concepts of conventional

17. Ibid.
18. Ibid., 377.
19. Richard Olson, Science Deified and Science Defied: The Historical Significance
of Science in Western Culture (Berkeley: University of California Press, 1990).
Walras explains in great detail how “pure economics” in a manner akin to “pure science” is only concerned with the relationship of
things, namely “the play competition”; see his account of the blind
and ineluctable forces of nature, such as the “pure relationships” in
a regime of “perfect competition” in Chapter 4. Walras demanded
the same application of mid-nineteenth century physics to economics,
and revealed this so-called ‘unity of technique’ in his later article
“Économique et Mécanique,” wherein he posited that utility is a
measurable quantum akin to physical energy.
economics emerged in the form of rationality,\textsuperscript{22} maximization of utility,\textsuperscript{23} positivism,\textsuperscript{24} laissez-faire principles, econometrics,\textsuperscript{25} and the ‘invisible hand’ of ‘free’ market forces.\textsuperscript{26} Despite ongoing debate, these concepts largely provide the meta-principles that frame the conceptual and structural parameters of the modern market economy today.

**Just What Is Wrong with These Principles?**

When we review the epistemological foundations of modern neoclassical economics and its subsequent core meta-principles, it is perhaps not coincidental that Schumacher sought to contrast them with those embodied by religious principles. Today’s ‘science’ of economics, based on the interaction of self-interested individuals in a world of scarcity, and given over to the ideals of perfect competition, essentially opposes the communal bases of pre-modern or faith-based economies.

\textsuperscript{22} The preference of many economists to seek analogies in physics and its natural laws was at play in the equating of rationality with the serving of self-interest through the maximization of wealth and want satisfaction, thereby allowing for the drive of self-interest to be referred to as the “moral equivalent of the force of gravity in nature”; see Milton L. Myers, *The Soul of Modern Economic Man: Ideas of Self-Interest, Thomas Hobbes to Adam Smith* (Chicago: University of Chicago Press, 1983).

\textsuperscript{23} Just as by using one law of motion for particles Newton was able to present a unified treatment of a large number of apparently unrelated phenomena, economists sought to adopt the maximization of utility as the sole acceptable principle of explanation for human behavior. As such, explanations of human behavior which take into account motivations other than selfishness or greed were not to be considered acceptable by modern mainstream economists, though in recent times the emergence of other perspectives such as institutional economics and behavioral/experimental economics have challenged this dominant methodology.

\textsuperscript{24} Positivism in the conventional economic sense of being “entirely neutral between ends” or “independent of any particular ethical position or normative judgment” was entirely consistent with the element of reductionism in natural sciences, that is, in contending that all processes are reducible to physiological, physical or chemical events.

\textsuperscript{25} Owing to the prestige of mathematics and physics as being value-free, economics was conceived of as being a set of natural laws, amenable to analysis by mathematical models, thereby displacing socio-historical qualitative analysis as an equally valid approach to the subject.

\textsuperscript{26} The ‘invisible hand’ as coined by Adam Smith was intended to illustrate how an individual through pursuing his self-interest would be able to, with the conjunction of the forces of perfect competition and supply and demand, serve a greater social need through allowing for an allocation of resources in society.
Nowhere is this more evident than in seeing how the reductionism and rationality of neoclassical economic theory coupled with the Benthamite ‘utility’ of money count the consumption and destruction of natural resources as income and economic growth. As Eisenstein notes, “In terms of conventional economics, it may actually be in an individual’s rational self-interest to engage in activities that render the earth uninhabitable. This may be potentially true on the collective level as well.” Elsewhere, Diwany and Eisenstein illustrate how using the exponential nature of future cash flow discounting indicates that “it may be more in our ‘rational self-interest’ to liquidate all natural capital right now—i.e., cash in the earth—than to preserve it for future generations.” As Eisenstein says, “After all, the net present value of an eternal annual cash flow of one trillion dollars is only some twenty trillion dollars (at a 5% discount rate). Economically speaking, it would be more rational to destroy the planet in ten years while generating income of $100 trillion, than to settle for a sustainable level of $3 trillion a year forever.” So here, we have notions of rationality and insanity turned on their heads.

Far from being an abnormality, the scale at which such short-term thinking permeates mainstream economic ‘rationale’ can be illustrated by statements such as those of Yale professor William Nordhaus, who is reported to have said, “Agriculture, the part of the economy that is sensitive to climate change, accounts for just three percent of national output. That means there is no way to get a very large effect on the US economy.” Similar sentiments and rationales are echoed by the Oxford economist, Wilfred Beckerman, who said, “Even if net output of agriculture fell by 50 percent by the end of the next century, this is only a 1.5 per cent cut in GNP.” The error apparent in this and similar statements is that of reductionism, that of reducing the importance of agriculture as an indicator of well being to its percentage of the GNP alone.

As the above illustrates, despite claiming to be amoral and free from normative assumptions, neoclassical economic theory posits idealizations with regards to a host of factors. Assumptions abound with regards to human welfare and happiness, “perfect” competition and the consumptive capacity of people, much of which is on the opposite side of the narrative to traditional religious positions. In its attempt to imitate Newtonian mechanics, its adoption of Benthamite utility, its focus on an abstract “economic rational man” (homo

29. Eisenstein, “Money and the Turning of the Age.”
economicus), disembodied from the social, ethical and political dimensions of things, modern economics has, in its very striving for scientific sophistication and empirical vigor, perversely become increasingly impervious to the very elements of human nature that constitute its subject matter as a social science. It is thus not surprising that modern economics has been associated with the disintegration of family life and blamed as an ideology that has failed to bring peace of mind and inner happiness to humankind, hence it is truly the “dismal science.”

Scholars such as Oswald, Diener and Oshi, Myers, Lane, and Layard have all documented how vast increases in wealth in Western societies have failed to increase contentment, satisfaction and a sense of wellbeing. Henry George, in his landmark Progress and Poverty, condemned the resultant contrast between wealth and poverty brought about by neoclassical economics:

So long as all the increased wealth which modern progress brings goes but to build great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent.

In more recent times, Nobel laureate Amartya Sen has argued that “the distancing of economics from ethics has impoverished welfare economics and also weakened the basis of a good deal of descriptive and predictive economics,” and that economics “can be made more productive by paying greater and more explicit attention to ethical considerations that shaped human behaviour and judgment.”

The Faith Position

To recall Schumacher’s observation, his allusion to the formal faith of Buddhism was encompassing of a broader context of what he considered ‘sacred’.\(^{40}\) The recent financial crisis has brought to global attention the various social movements that have arisen in response to it, and they have in a large part been calling for a return to this ‘sacred’ dimension of economics; namely, one that recognizes an inherent uniqueness in all created beings and their connections to the Divine. This is evidenced in the works of counter-economics visionaries such as Charles Eisenstein and Eileen Workman, both of whom are authors of works entitled *Sacred Economics*, and neither of whom advocate a particular religion or creed in their works. Instead they advocate a state of being with regards to the world that would be consistent with Schumacher’s definition of ‘Traditional Wisdom’\(^{41}\) and inconsistent with the rationale of *homo economicus*.

The Role of Islamic Economics

Despite the fact that the Islamic faith, like most traditional faiths, possesses a distinct worldview that emphasizes the Divine, and the transcendent meaning and purpose of nature, connects the economic dimension of life to higher, wider dimensions, and places the acquisition of material wealth in the service of communal belonging and spiritual advancement, we, nonetheless, have found Islamic economics to be struggling to excise itself from the intellectual baggage of western economics.

This is apparent from the testimonies of the discipline’s leading figures themselves, who collectively have almost unanimously expressed disappointment with its lack of direction. Umar Chapra writes, “Islamic economics has been unable to come to grips with...the problems faced by Muslim countries.”\(^{42}\) Nejatullah Siddiqi likewise writes that, “All is not well with

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40. Schumacher says, “The reign of quantity celebrates its greatest triumphs in the Market. Everything is equated with everything else. To equate things means to give them a price and thus to make them exchangeable. To the extent that economic thinking is based on the market, it takes the sacredness out of life, because there can be nothing sacred in something that has a price,” http://neweconomicsinstitute.org/content/small-beautiful-quotes.

41. To quote Schumacher, “Everywhere people ask: ‘what can I actually do?’ The answer is as simple as it is disconcerting. We can, each of us, put our inner house in order. The guidance we need for this work cannot be found in science or technology, the value of which utterly depends on the ends they serve; but it can still be found in the traditional wisdom of mankind,” http://neweconomicsinstitute.org/content/small-beautiful-quotes.

Islamic economic(s)....The grand idea of providing an alternative to capitalism and socialism...has yielded to a desire to join the flock.”43 More tellingly, Monzer Kahf writes in “Islamic Economics: What Went Wrong”: “It seems to me that the present generation of Islamic economists is exhausted and already consumed in the activities of Islamic banking and finance, that the best it can do is to hand over the torch to a second generation that may carry deeper theoretical analysis and fill the gaps left by our generation.”44 Likewise Asad Zaman, in his “Crisis in Islamic Economics: Diagnosis and Prescriptions,” posits that the four fundamental flaws of western economic theories—namely, (i) claim of universality; (ii) mathematical formalism; (iii) materialism; and (iv) the positive/normative classification of economic knowledge—were all implicitly assumed by Islamic economic theory. He argues that “Muslim economists have uncritically accepted claims that economic theory is ‘positive,’ or factual, and many other methodological assumptions.”45

This “collapse of the grand Islamic agenda”46 has been attributed to a lack of holistic thinking that, instead of seeking to critically review and recast underpinning philosophical foundations in the manner al-Attas has proposed, has become representative of a “type of cultural/folkloristic colouring to Western concepts.”47 Nowhere can this said to be more apparent than in the application of Islamic finance, wherein “The realities of financial markets which prioritize economic incentives rather than religious behavioral norms has forced Islamic finance to become part of the international financial system...the difference has been reduced to technicality, and the value system is no longer mentioned beyond describing the prohibition of riba by quoting verses in the Qur’an.”48

46. Siddiqi, “Obstacles.”
The Need for a New Approach

By not utilizing an analysis that is holistic—namely, one that is structural and looks at the synthesis of means and ends, direction, etc.—and adopting one that is reductionist, partial, fragmented, or bracketed from the larger, non-economic context, Islamic economics and Islamic finance have chosen the wrong direction, which is in turn the result of a flawed vision of what economics and the economy are all about. The current narrow conceptualisation of Islamic economics as just being interest-free banking and finance with zakat as a condiment thrown into the hybrid mix, misses the affirmation of the central principle of Islam, namely *taḥwīd* (the Unique Oneness of God), which demands integration of body, mind, and soul on our part in submission to the Divine Unity. It is this principle that defines the raison d’être of man’s existence, being his recognition and acknowledgement of this Unity, and that in turn shapes the individual and collective psyche with regards to economic behavior in respects of its myriad outcomes and expressions in various structures and institutions. This revitalized approach may already be underway.

The recent financial crisis that witnessed gigantic, mega-trillions “bailout” packages raised from public money given to the very banks at the root of the crisis has seen in its wake an emerging, community-rooted mass movement to rethink the whole function of a true economy. This has resulted in a fervor for alternative economic structures and financial institutions that are more community rooted, directed, and oriented, that partake in and contribute to movements of ecological and cultural awareness, and that create a supportive financial environment that decreases and even eliminates our dependence on debt instruments. Many of these proposed solutions are in harmony, at least in spirit, with similar Islamic initiatives of traditional, community-centered socio-economic institutions. Within this remit, new voices have begun to emerge, calling for ways of old to be applied afresh.49

In his position paper speaking about the “Revival of the Islamic Gift Economy,” Adi Setia describes the ‘Islamic Gift Economy’ as:

an integrative Islamic economic system that is autonomous and can stand and prosper on its own ethical and economic principles while in constructive engagement with current neo-liberalism, instead of one that is co-opted, wittingly or unwittingly, into the mainstream, free-market capitalist system, as is largely the case with what currently goes by the name of Islamic Banking.

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Through pioneering, largely informal collaboration with scholars, professionals, friends, and colleagues in Malaysia, Singapore, UAE, and elsewhere, Setia, in place of the current obsession with Islamic Banking and Finance (IBF) approach, has instead been motivating and organizing various efforts to set up community-rooted and directed business enterprises to wean people away from dangerous dependence on banks and corporations. Instead of centralised and largely monopolistic mega-IBF corporations and the current disembedded banking industry in general, he argues for establishing:

1. Decentralised Islamic community investment companies, focusing solely on *muḍāraba* and *mushāraka*, based on direct people to people (P2P) micro-investments.

2. Decentralised Islamic community depository companies, focusing solely on *waḍīʿa*, providing safety deposit, storing and warehousing services for a reasonable, fair fee.

3. Islamic community payment (or clearing or netting-off) system, focusing on *ḥawāla* and payment clearing and netting-off services for facilitating trade and commerce, money transfers, and offering debit cards and checking services.

4. A *waqf*-based *takāful* system to spread local community risk.

Most of all, in his opinion, there is a great need for community *fuqahāʾ*, academicians, and scholars to teach people both the *adab* and *fiqh* of *muʿāmala* (ethics and legal rules of transactions) in a proactive discursive context of critical engagement with current economic theories and practices, so that they can once again actualize a world of right livelihood for the common good.

Such initiatives rooted in localism and community solidarity are supported and complemented by other endeavours by other thinkers and activists, such as permaculture design, community currencies, gift economics, negative interest money system, public co-operative interest-free banking, community land trusts, gold dinar and silver dirham money system, community supported agriculture, crowd funding and investing, and open community markets. All these myriad but complementary efforts currently challenge the hegemonic nature of the interest based financial system as opposed to normalizing it with liberal use of Islamic terminology in the case of IBF.

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50. Ibid.; see also his “*Farḍ al-kifāya*, *Muʿāmala* & the Commonweal: Reconnecting Economics and Economies to Communities,” *Islamic Sciences* 11, no. 1 (Summer 2013), 83-96.
This paper has contended that it is time the misuse and corruption of terms such as ‘Islamic’, ‘muʿāmala’, ‘shariʿa’, ‘tamwil’ and ‘maqāṣid’ are highlighted and countered. This can only happen when the meta-principles that Islam advocates are systemically brought to the fore and those of the system it seeks to replace are removed. It is only then, that we, as Islamic economists, may be able to formulate a proper and effective response to the Qurʾān’s question: So where then are you headed? (Q 81:26).
Introduction

The Islamic tradition, like the other major religious traditions, places a great deal of emphasis on vision, intention, and direction. The Qur'anic query So where then are you headed? (Q 81:26) harks the reader to constantly let us now examine the Islamic principles of finance and evaluate their consequences which are relevant to model building. There can be no contract for a loan transaction with the stipulation for an addition in the principal sum, because that is riba. If it is a loan contract then it has to be an interest-free loan. Since present-day money markets are based on debt instruments, it follows that in an Islamic financial system there will be a very limited role for the money market. Theoretically, it is possible to have a small role for the money market consisting of instruments based on interest-