

# The Discontents of Islamic Economic Morality

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Islamic economics, which is dedicated to restructuring economic thought and practice on the basis of fundamental Islamic teachings, has been criticized extensively for its incoherence, incompleteness, impracticality, and irrelevance (see e.g., Sohrab Behdad, 1989; Kuran, 1993). Yet evaluations to date have barely addressed the reasons for the doctrine's emergence and continuing appeal. If the critics of Islamic economics are right, and its capacity for improving economic performance is at best marginal, what explains its existence and popularity? It is easy to understand why middle-class Pakistanis or Egyptians might consider their local economy, or even the global economy, in need of reform. But why would anyone believe that Islamic economics is capable of raising productivity, stimulating growth, or reducing inequality?

These questions mask an essential, if paradoxical, fact: the main purpose of Islamic economics is not to improve economic performance. Notwithstanding the claim that Islamic economics provides a superior alternative to the secular economic doctrines of our time, its real purpose is to help prevent Muslims from assimilating into the emerging global culture whose core elements have a Western pedigree. Moreover, in pursuing cultural protectionism Islamic economics depends minimally on controlling the way Muslims behave in the marketplace. Its chief instrument for fighting assimilation is the guilt that it fosters by characterizing certain universal economic practices as un-Islamic. Guilt-ridden Muslims, seeking atonement for economic choices they perceive as possibly sinful, contribute to religious causes, support religious movements, and undertake acts of religious piety. In the

process, they inflate the observed religiosity of the Muslim world. And they magnify the apparent constituency for extending Islam's temporal domain and authority.

## I. The Cultural Function of Islamic Economics

A telling indication that Islamic economics is driven by cultural rather than economic concerns is that its founders in the 1940's were Muslim Indians striving to justify why they should have cultural autonomy and even their own state. Sayyid Abu'l-A'la Maududi, the social activist who coined the term "Islamic economics" around the time of India's partition, argued in his extensive writings that rising contacts with Westerners were threatening the survival of Muslim cultures. Western secularism was about to lock Islam in the mosque, he maintained, causing the Indian part of the Muslim-Indian identity to eclipse the Muslim part. Even worse, secularism was turning Muslims into pseudo-Muslims with mindsets and lifestyles indistinguishable from those of Westerners. These dangers to Islam could be fought by resisting the universalization of human morality, Maududi thought. Muslims would not be so eager to Westernize if they were made to see that Islamic and Western values are incompatible (Seyyed Vali Reza Nasr, 1996).

In the decades following Maududi's pioneering essays on Islamic economics, Pakistanis have made by far the largest share of contributions to the literature. This is significant because Pakistan is the world's only state founded with the express purpose of giving Muslims a place where they can govern themselves according to Islamic prescriptions and priorities. If there is any people whose self-definition hinges on what it means to "think like a Muslim," and "act like a Muslim," it is the Pakistanis.

Equally revealing is the content of Islamic economics. Few contributions to the literature have focused on solving pressing economic problems. Their emphasis has tended

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to be on establishing a distinctly and self-consciously Islamic approach to economics. The typical text combs traditional Islamic sources for prescriptions that will differentiate Islamic economics from more established economic doctrines. The blanket prohibition of interest ostensibly found in the Koran quickly became the centerpiece of Islamic economics precisely because interest not only plays an important role in every contemporary doctrine and is essential to economic life almost everywhere. By favoring a ban on all interest, regardless of form and level, Islamic economics can claim that the deposit-taking and lending operations of "Islamic banks" differ fundamentally from those of conventional banks.

Yet another sign that the driving force of Islamic economics is cultural identity lies in the attention it gives to issues of negligible importance to modern readers. Barter rules, the rights of slaves, and transactions that any 20th-century reader will consider quaint make prominent appearances in contributions to Islamic economics, simply because they receive broad coverage in classical Islamic sources. At the same time, Islamic economics has contributed little to economic issues of great relevance to modern living. Its substantive contributions to economic discourse have been limited even in Pakistan and Iran, the countries that have gone furthest in putting Islamic economics into practice.

## II. Clashing Civilizations: Islam versus the West

There is nothing intrinsically anti-Western about proposing restrictions on interest. Certain arguments on the advantages of making banks shun interest-based commercial lending in favor of profit- and loss-sharing (for prominent ones, see M. Umer Chapra [1985]) could easily be incorporated into secular economic discourse. Stripped of its Islamic vocabulary and imagery, a proposal to ban interest-based finance could be evaluated by the same standards through which secular economists assess the merits of reserve requirements. If the drive against interest happens to carry strong anti-Western overtones, this is only because of incessant efforts to associate the practice with un-Islamic, Western materialism.

The payment of interest is not the only economic practice that Islamic economists tend to find un-Islamic. Others include insurance, arbitrage, speculation, and indexation (Mohammed Abdul Mannan, 1970; Chapra, 1992). The typical text in Islamic economics is replete with injunctions to avoid this or that behavior, often on the grounds that, in the author's reading, the Koran or some other source of Islamic authority comes out against it. From Maududi onward, the moral discourse of Islamic economics has cultivated the view that the behavioral standards of Islam are fundamentally at odds with those of the West. The injunctions thus mark what Samuel Huntington (1993) in his article on "The Clash of Civilizations," calls a "cultural fault line separating civilizations" (p. 25).

Huntington's thesis has come under fire for underestimating the homogenizing effect of economic development. But the Islamic fundamentalists, whose ranks include the promoters of Islamic economics, share Huntington's view that international politics revolves around "the interaction between the West and non-Western civilizations and among non-Western civilizations" (Huntington, 1993 p. 23). They take every opportunity to promote stronger social and economic bonds among Muslim communities, hoping that these will pave the way for an Islamic common market (Masudul Alam Choudhury, 1989) and, ultimately, a pan-Islamic state. A complementary objective of Islamic fundamentalism has been to weaken the prevailing commercial and industrial ties between the Muslim world and the West, in order to protect Muslims from un-Islamic cultural influences.

Herein lies a major contradiction: the objective of a self-segregating pan-Islamic union is incompatible with the morality advocated by Islamic economics. This morality includes, in addition to multitudes of restrictions that would hinder complex economic linkages, a major emphasis on generosity as a vehicle for solving social problems. In essence, therefore, it is the collectivist morality of medieval Islamic civilization. As Avner Greif (1994) has demonstrated, this collectivist morality encouraged Muslims to interact primarily with members of their own ethno-religious subgroups. By contrast, medieval Western Europe promoted an individualist morality, which

limited the economic significance of subgroup identities and facilitated interactions across subgroup boundaries. After the Middle Ages, this difference in moral systems contributed to Europe's growing economic dominance over the Islamic world. By seeking to revive the collectivist economic morality responsible for the Muslim world's current economic backwardness, Islamic economics is probably thwarting, then, its stated goal of improving the living standards of Muslim communities. Furthermore, it is undermining the goal of forming an Islamic common market: the values that Islamic economics seeks to reinstitute would hinder, not facilitate, linkages among Muslim communities.

The civilizational clash that Islamic economics is fueling is often misconstrued as a collision of old and new. While the values of Islamic economics are firmly rooted in living tradition, the objective of ending the Muslim world's political and economic fragmentation represents an effort to break the hold of history. It is true, of course, that an Islamic precedent exists even for this attempt at change. As a matter of principle, the first Islamic state in 7th-century Arabia discouraged the segmentation of Muslims on the basis of ethnicity, language, or geography. In practice, however, neither the first Islamic state nor its successors managed to obliterate the social significance of tribal and other divisions, a point made forcefully in Ibn Khaldun's (1957 [1379]) *Muqaddimah*. In trying to strengthen the Islamic identity of Muslim communities as a means of breaking their nonreligious solidarity patterns, today's Islamic fundamentalists are attempting, then, to perform a task at which even the earliest Muslims failed. That the fundamentalist strategy is self-defeating does not negate its revolutionary element.

### III. Clashing Selves: *Homo Islamicus* versus *Homo Economicus*

The fundamentalist movement's objective of overcoming the Muslim world's fragmentation reflects, in part, an understanding that the traditional economic structures of Muslim communities are no longer sustainable. Most individual Muslims share this understanding. They realize that their traditional economic

structures will inevitably succumb to the forces unleashed by the Industrial Revolution. They recognize, too, that to become prosperous themselves they must engage in practices that Islamic economics portrays as immoral. At the same time, they take pride in Muslim achievements, and they want Islam to play some role in their lives. These two goals—advancing economically and pursuing an Islamic lifestyle—are not, of course, always in harmony. The consequent tensions are all the more serious because Islamic economics makes Muslims' inevitable economic adaptations appear to conflict with maintaining an Islamic identity. One of the effects of Islamic economics is thus to heighten the clash within individual Muslims, the clash that pits two selves against each other, *Homo Economicus* against *Homo Islamicus*.

Wherever there is discomfort, efforts will be made to reduce it. Revealingly, experiments by social psychologists show that individuals led to feel they have harmed others subsequently strive to rehabilitate themselves. In one experiment, subjects who were made to believe that they broke a camera while walking through a store became dramatically more willing relative to the control group to help someone in need (Dennis Regan et al., 1972). From the standpoint here, it is significant that experimental subjects who believed that they had committed a wrong responded through acts that, while morally commendable, did nothing to repair the ostensible damage. In particular, individuals who thought they broke the camera generally did not offer to pay for a new one. They sought to expiate their guilt by becoming more helpful toward others in general, rather than specifically toward owners of the purportedly broken camera.

Muslims who feel compelled to engage in economic practices portrayed as immoral can seek to exonerate themselves through acts of altruism. For example, they can donate to an environmentalist cause or increase the time they devote to assisting the handicapped. Yet the most effective way to make amends for transgressions against Islam is to undertake acts that carry Islamic significance. The possibilities include joining public prayers, making donations to mosques, participating in Islamic political rallies, and

wearing clothes that symbolize Islamic piety. The upshot is that medieval economic injunctions, when revived centuries later in settings where they pose a nuisance, will have the effect not of changing economic behavior but of promoting various forms of religious participation.

Islamic economists never tire of pointing out that contemporary Muslim communities are rife with greed, corruption, dishonesty, deceit, and exploitation (see e.g., Chapra, 1992). It is true that phenomena such as rent-seeking and opportunism are distressingly common in South Asia, the Middle East, and North Africa. It is also true that most Muslim communities feature sharp inequalities. But the problems will not disappear merely through praises of Islamic virtue. In the absence of institutional reforms that make socially undesirable behaviors more costly (improvements in the legal system, industrial standardization, and removal of anti-competitive regulations) the problems of opportunism and rent-seeking will persist. Moreover, the main effect of turning the spotlight on these problems will be to make Muslims ever more conscious of their moral failings. Guilt-ridden, they will seek to compensate for their moral deficiencies through greater outward piety.

An exception to the general resistance to institutional redesign has been in banking. Since 1975, there have existed Islamic banks, all claiming to shun interest, in dozens of countries. As even prominent fundamentalist leaders now recognize, the deposit-taking and lending operations of these banks tend to be based on interest, although this fact is usually disguised through the use of terms like "markup" and "commission" to designate what is tantamount to pure interest. The Islamic banks create uneasiness in their employees who understand that their operations do not really conform to the ban on interest. At the same time, they serve as an instrument of guilt-reduction for depositors and borrowers who believe that, even if Islamic banking is not actually interest-free, it is at least morally superior to conventional banking. The Islamic banks foster an image of moral superiority by making a point of contributing to Islamic causes and also through signs of Islamic devotion at their branch offices: prayer areas,

Koran verses on the walls, veiled female tellers, and religious literature for the taking.

If one way that Islamic economics provokes guilt is through injunctions that are costly to follow, another is through its own inconsistencies. As documented in my 1989 paper, Islamic economists disagree among themselves on many substantive matters, and their programs are riddled with internal contradictions. The basic reason for these conflicts and tensions is that the fundamental sources of Islam themselves harbor many inconsistencies. To give just one example, some recollections of the Prophet Muhammad's sayings make it seem that Islam rejects all interference with market freedoms; yet classical Islamic texts contain other accounts that contradict the sacredness of market outcomes, and Islamic history offers numerous precedents for tight economic regulation. The essential implication here is that a Muslim determined to abide by all Islamic injunctions will find it impossible to pursue a life that is properly Islamic beyond all doubt. No matter what his economic choices, he will find himself wondering whether at least some of them conflict with the spirit, if not the letter, of Islamic law. Consequently, he will fail to escape guilt.

#### IV. The Significance of Islamic Economic Morality

Karl Marx, Auguste Comte, Sigmund Freud, and a long list of other influential thinkers considered religion a manifestation of ignorance or infirmity, and they probably would have greeted Islamic economics with contempt and ridicule. But religion remains a force capable of moving huge numbers of intelligent, educated people—possibly, as recent research by evolutionary psychologists suggests, because evolution equipped us all with a moral sense (Leda Cosmides and John Tooby, 1992). One of the traditional functions of religion has been to nourish this moral sense by defining right and wrong. It follows that, however poorly suited to modern economic conditions the morality of Islamic economics might be, it can remain a source of influence indefinitely.

Under present global conditions, that morality would limit individual and collective enrichment but would also promote a stronger

Islamic identity. There is no evidence that more than a small fraction of all Muslims would accept such a trade-off. Just as contemporary Italians are happy to use Arabic numerals rather than the more cumbersome Roman ones, most Muslims are quite prepared to use financial and commercial mechanisms developed in the West.

Yet many Muslims consider their identity under threat, not the least because Islamic fundamentalism treats every moral and institutional adaptation as evidence of cultural capitulation. Consequently, even Muslims able to justify their own economic adaptations are wondering whether they might be contributing to the erosion of their society's Islamic identity. Insofar as they want that identity preserved, they experience an inner clash of civilizations. Seeking peace, they try to compensate for their questionable behaviors through acts that symbolize Islamic defiance and separatism. They thus end up serving the anti-assimilationist goal of Islamic fundamentalism. Paradoxically, this occurs because it is impossible to live up to the ideal of *Homo Islamicus*.

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