

On the Notion of Economic Justice in Contemporary Islamic Thought

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Timur Kuran

ON THE NOTION OF ECONOMIC JUSTICE IN CONTEMPORARY ISLAMIC THOUGHT

INTRODUCTION

In the massive contemporary literature that has come to be known as “Islamic economics,”¹ the claim is repeatedly made that an Islamic economic system would achieve a greater degree of economic justice than existing capitalist and socialist systems. An Islamic system, it is said, would be free, on the one hand, of the exploitation and severe inequalities that characterize capitalism, and on the other, of the class struggles and intolerable restrictions that are the hallmarks of socialism.²

The objective of this article is to describe and evaluate the notion of economic justice that appears in this body of literature. I begin by defining the main principles of justice to which the Islamic economists subscribe. Then I present a synopsis of the injunctions they put forward as means of ensuring that society adheres to these principles. By and large, I go on to argue, these injunctions rest on a faulty model of human civilization, and they leave far more room for interpretation than the Islamic economists acknowledge. In many contexts, moreover, the injunctions bring the principles of justice into conflict, both with one another and with other Islamic principles. On the basis of these observations, I suggest, finally, that an Islamic society would inevitably contain seeds of disharmony. The Islamic economists downplay the possibility of discord, but at the same time they pay considerable attention to mechanisms for minimizing its scope and magnitude. Prominent among these are educational measures designed to engender a consensus that conforms to Islamic principles.

Islamic economics did not emerge as a discipline in its own right until the mid-1960s. Earlier years saw the appearance of some books, articles, and pamphlets, most notably the still widely cited works of Sayyid Abul-A^cla Maududi and Sayyid Qutb.³ But these works showed neither an interest in nor an appreciation for the economic concepts and tools developed in recent centuries, primarily in Europe and North America. The Islamic economists who have appeared on the scene lately tend to be of a different mold: having been exposed to modern currents of thought, they are more willing to borrow ideas and methods from non-Islamic writings. Perhaps as a consequence, their standards of analysis are, in some respects, higher. Still, there are broad substantive continuities between the earlier and later writings. Like their predecessors, the contemporary Islamic

economists ascribe immense importance to the prohibition of interest and to Islamic forms of redistribution. More importantly from the standpoint of the present article, they subscribe to the same two principles of justice. It is entirely appropriate, therefore, to treat the earlier and later writings as a single body of literature—provided one recognizes that over time this literature has gained in sophistication.

In any case, I have chosen to restrict my analysis to the monographs, essays, conference proceedings, and journal articles published in English between 1970 and mid-1987. The bulk of these writings were issued by a handful of publishers: the Center for Research in Islamic Economics (Jeddah), the Islamic Foundation (Leicester, United Kingdom), the Institute of Policy Studies (Islamabad), Sh. Muhammad Ashraf (Lahore), and Islamic Publications (Lahore). I shall pass over the writings that are providing ideological support to attempts to restructure the Iranian economy along Islamic lines, some of which have been published, in English, by Mizan Press (Berkeley, California).⁴ Including these writings in the present analysis would have required consideration of the doctrinal differences between the Sunni and Shi'ī groups—differences that have split Islamic economists into two disconnected camps. I venture to say, though I shall not defend this statement here, that as far as economic justice is concerned, the inconsistencies, ambiguities, and disagreements that pervade the Sunni-dominated literature are very much a part of the Iranian Shi'ī-dominated literature as well.

Inconsistencies, ambiguities, and disagreements exist in all the great bodies of literature that point the way toward a just world—including the diverse writings whose roots lie in Judaism, Christianity, Marxian socialism, and Third World nationalism. But the objective here is not to undertake a comparative analysis. It is to evaluate the notion of economic justice in one particular body of literature, that of contemporary Islamic economics. Only at the very end shall I come back to the parallels with other bodies of literature, and then simply to put the whole argument into perspective.

PRINCIPLES

For a society to achieve economic justice, say the Islamic economists, it must conform to two general principles: equality and fairness.

The principle of equality forbids gross inequalities in the distribution of goods: “moderate” inequality is acceptable, but “extreme” inequality is ruled out. A society would not be considered properly Islamic if it allowed some of its members to live in luxury while others eked out an impoverished existence.⁵

The principle of fairness is that people's economic gains are to be “earned” and their losses “deserved.” It requires the economic system to treat similar economic contributions similarly, and different contributions differently. “There is to be no discrimination,” says a leading Islamic economist, “due to race or colour or position. The only criterion of a man's worth is character, ability, and service to humanity.”⁶ In the same vein, another states that “no economic entity [should be] deprived of its due share in the national product.”⁷

Of these principles, the first is concerned with the outcome of the economic process, the second with the process itself. The principle of equality bars the

distribution of wealth generated by this process from being grossly unequal. The principle of fairness, by contrast, requires the economic transactions, which determine the distribution, to be fair.

INJUNCTIONS

The literature offers numerous injunctions as means for bringing economic relations into conformity with the principles of equality and fairness. These take the form of prohibitions, restrictions, obligations, and responsibilities.

It would be impossible in just one section of a journal article to provide an exhaustive survey of these injunctions, in all their details and ramifications.⁸ The synopsis that follows will simply identify the injustices the injunctions are intended to prevent, demonstrate how the injunctions vary in terms of specificity, and provide a basis for evaluating the logic on which they rest.

A much heralded obligation is the redistribution scheme known as *zakāt*. It entails taxing certain wealth holders and certain income earners at rates varying between 2.5 and 20 percent and using the proceeds to aid disadvantaged members of society, including the poor, the handicapped, the unemployed, dependents of prisoners, orphans, and travelers in difficulty. The coverage of *zakāt* is controversial. Some writers consider it to be limited to those categories of wealth and income for which rates were specified in the early years of Islam. Others consider it to include categories that were not known until recently, such as factories and motorized vehicles. The reformist writers do not agree among themselves, however, as to the limits of the coverage and the applicable rates. But regardless of how they perceive *zakāt*, all Islamic economists believe that it is a very powerful instrument for bringing an economy in line with the principle of equality.⁹

Another injunction regarded as having an important equalizing effect is the Islamic law of inheritance, which spreads a deceased person's wealth among all his immediate relatives. One contributor to the literature describes the essence of the law as follows: "[A] person may not dispose of more than one third of his property by testamentary directions. . . . The rest of the inheritance must be divided among the prescribed heirs in specified shares."¹⁰ The shares are determined according to the exact number and relationships of the survivors, so the distribution of estates assumes an endless variety of configurations. In accordance with the principle of fairness, full siblings of the same sex have identical entitlements, which rules out primogeniture. The law serves the principle of equality by interrupting the growth of family estates.

In addition to such formal obligations, there are some informal injunctions intended to equalize the distribution of goods. Most important, the individual is to make charitable donations to those in need. In this connection, a Pakistani Islamic economist writes that "capacity for contribution to social welfare . . . is to be measured by the amount one is able to spare after enjoying the standard of living which is commonly enjoyed by men of one's rank and station in life."¹¹ As a consumer, meanwhile, the individual is encouraged to enjoy the earth's bounties, but without drifting into extravagance, even if he can afford to do so after having met his formal obligations. The following warning by a widely quoted Islamic economist is typical: "After a certain limit, consumption of cloth may

turn into extravagance. As extravagance is prohibited, the individual must stop at this point."¹² Extravagance violates the principle of equality because, by definition, it entails consumption well beyond the average level for society.

An injunction that appears in numerous guises is the obligation to behave altruistically—that is, to demonstrate an unselfish concern for others' welfare. An individual is required by this injunction both to refrain from actions unduly harmful to others and to take positive steps in the public interest.¹³ In the terminology of modern economics, he is to bring into his calculus the negative and positive externalities of his actions. This injunction, which is intended to serve both principles of justice simultaneously, comes into play primarily in discussions concerned with personal consumption, resource allocation, and industrial relations.¹⁴ To give one example, an industrialist deciding whether to build a particular factory must take into account not only his expected personal profits, but, in addition, the air pollution the factory would generate and the new employment opportunities it would provide. Many writers stress that the externalities to be considered are not limited by geographical, national, racial, familial, or occupational boundaries.¹⁵

The pursuit of monetary gain is legitimate, provided it does not involve unfairness. An industrialist, in this connection, is to pay "fair" wages to his employees and charge "just" prices to his customers.¹⁶ Moreover, he is to make every effort to share with his customers what he knows about the characteristics of the goods he is selling, including their possible defects.¹⁷ To this end, he is to avoid equivocal speech and to refrain from concluding a deal until the buyer knows all there is to know. The main objective of this insistence on openness is to give the consumer a fair deal—to protect him, that is, from exploitation. The injunction also promotes, some writers claim, the principle of equality.

Of all the injunctions cited, the most celebrated is the prohibition of interest. The rationale for the prohibition differs depending on whether the loan involved is a consumption loan or a business loan, although in both cases the principle of fairness is central. If interest is charged on a consumption loan, the lender makes money without exerting any effort and without giving the borrower something in return. If it is charged on a business loan, the lender's return is fixed, while that of the borrower is variable. (A bank deposit is treated as a special kind of business loan, where the depositor is the lender and the bank, the borrower.)

How are the implied injustices to be avoided? In the case of a consumption loan, the lender is to earn no return at all: when the loan comes due, he is to get back only what he has lent. In the case of a business loan, the lender and the borrower are to share, according to a predetermined formula, the profits or losses from the investment financed by the loan. Mindful of the possibility that, under interest, a borrower could end up with a significantly higher return than the lender—as when an industrialist earns a 30 percent return on an investment financed through a loan obtained at 5 percent interest—the Islamic economists contend that a ban on interest would also have an equalizing effect on the distribution of wealth.¹⁸

The prohibition of insurance as a profit-oriented business rests on similar reasoning. Most Islamic economists have no objection to insurance *per se*, just as

they are not opposed in principle to lending and borrowing. They recognize that by spreading unanticipated losses among its members, a well-designed insurance scheme can serve the principle of equality. At the same time, they feel that profit from insurance constitutes unearned gain, "the callous exploitation of the misery of . . . helpless common folk."¹⁹ To prevent exploitation, they say, the state must be empowered to take over most areas of the insurance business and regulate the rest.²⁰

Transactions involving speculation caused by avoidable ignorance are considered objectionable, again on the grounds that they may result in unearned gain for one party and undeserved loss for the other. Thus, the sale of a pregnant camel is prohibited because her value depends on the sex of the offspring, which, until known, may generate speculation. Likewise, an orange tree in blossom may not be sold because neither the quantity nor the quality of its yield can at this stage be predicted exactly. It is also considered illegal to trade a piece of cloth that has not been examined carefully by both parties, lest they misperceive the cloth's properties.²¹

Throughout the literature, one finds injunctions against the activities of middlemen, a catchall category that includes such diverse groups as commodity speculators, real estate agents, and stockbrokers. Invariably, the opposition is based on the belief that such activities result in unearned gain. Commodity speculation, undertaken in the expectation of profiting from fluctuations of supply and demand, is the most frequent target of attack.²² There is a consensus that speculation over basic commodities is highly unjust. Certain writers argue that speculation does not violate the principle of fairness when it involves nonbasic commodities, although they fail to specify a set of criteria for distinguishing between the two categories.²³

Modes of agricultural cultivation are also a concern of the Islamic economists. Sharecropping, a practice whereby a laborer cultivates a landowner's plot in return for a fixed share of the output, is the favored mode of most writers, who consider it to be analogous to profit and loss sharing in industry and trade. They maintain that sharecropping entails praiseworthy cooperation by owners of complementary factors, land and labor, and that the landowner's returns are no less justified than those of a depositor in a profit-sharing bank account.²⁴ Other writers oppose sharecropping on the grounds that a landowner who does not participate personally in cultivation is not entitled to a return.²⁵ Still others take an intermediate position. Among them is the author of a trilogy on Islamic economics, who writes: "If there is a spirit of goodness and benevolence behind [a sharecropping] contract and either [party] expects only to receive his due . . . then it is the best form of cooperation, partnership and friendship. But if this spirit is lacking and the weakness of the cultivator becomes the instrument of [the] landlord's oppression and exploitation . . . then this form of cultivation is not permitted. . . ."²⁶ He adds that sharecropping should not be allowed where it would turn the landowner into an idler or a parasite.²⁷

Predictably, perhaps, the practice of renting land, which involves a fixed payment from the laborer to the landowner, comes under harsh indictment. Like interest, it places the contract risk entirely on one party: the laborer's return

depends on the size of his harvest, while the landowner's return is fixed. In addition, the practice enables the landowner to lead a comfortable life of leisure while the laborer struggles for his subsistence. Still, some authors are prepared to exclude a class of cases from the prohibition. A landowner can justly rent his land, they say, if he is pursuing socially beneficial activities and, in particular, if he is defending Islam.²⁸

Various Islamic economists consider certain other market structures and forms of economic organization to be unjust. There is widespread agreement that unregulated private monopoly gives rise to grievous injustices by allowing exceptionally high returns. "Islam views with extreme disfavour," says a Nigerian proponent of Islamization, "the monopoly of resources by a few self-seeking millionaires."²⁹ Some writers consider the publicly held corporation of modern economies to be inconsistent with Islam's principle of fairness. The facility of liquidating the corporation's shares encourages, they say, its shareholders to desert it at the slightest sign of trouble, compounding in the process the remaining shareholders' expected losses. The majority, however, regard the modern corporation to be praiseworthy, on the grounds that it involves risk sharing.³⁰

ILLUSIONS

By and large, the Islamic economists consider the Islamic injunctions to provide a set of unambiguous guidelines for attaining economic justice. The following remark is typical: "If the Islamic teachings on the earning of wealth are followed, the norm of justice to employees and consumers is applied, provisions for redistribution of income and wealth are implemented, and the Islamic law of inheritance is enforced, there cannot be any gross inequalities of income and wealth in Muslim society."³¹ There is a strong consensus, moreover, that the set of injunctions is not dynamic, but static: it is eternally applicable, without revision, to all societies.

One thus gets the impression that in an Islamic economy the attainment of *substantive* justice would be a *procedural* matter.³² Regardless of economic and social conditions, the two substantive principles of justice would be met by having members of society follow the specified injunctions. This position harbors two distinct claims. First, that just behavior entails conformity to the stated Islamic injunctions. Second, that these injunctions are just, in the sense that they are better suited than other sets of injunctions to serve the principles of equality and fairness. I wish here to evaluate the second claim—to question, that is, whether the injunctions put forth by the Islamic economists can reasonably be expected to secure their two principles of justice.

The purpose of zakat, as we have seen, is to promote equality by redistributing wealth from the haves to the have-nots. It is by no means self-evident, however, that zakat would achieve this purpose. Since it entails taxing only some categories of income and wealth, and then at various rates, its distributional impact would depend on the composition of society's output. Its narrow version places the burden of taxation entirely on categories of income and wealth known in the early years of Islam, notably agriculture, mining, and precious metals. With

industrialization and the explosion of the service sector, these sources of income and wealth have dwindled in importance, even in the least developed countries. Also, most of the poor households in today's world are concentrated in agriculture, and most of the rich outside agriculture.³³ It is not clear, therefore, that zakat would promote equality; it might well promote *inequality*. This conjecture is supported by a study of one of the narrow zakat schemes in existence.³⁴ What about the broader schemes that have been proposed? It is certainly possible that they would play an equalizing role, although this remains to be demonstrated. The impact of any particular scheme will depend on the characteristics of the economy to which it is applied. A scheme that serves as a strong equalizer in a contemporary economy dominated by industry and agriculture could lose its potency as services for which rates have not been specified gain in importance.

Regarding the injunction to take into account negative and positive externalities of one's actions, it is appropriate to ask how individuals are to compute and predict these. In most contexts, this is an enormously difficult task, if only because human abilities to acquire, store, retrieve, and process information are severely limited. Thus, individuals willing to abide by this injunction would not necessarily succeed in doing so. The Islamic economists are confident, nonetheless, that in an Islamic system the individual would incur no major problems in distinguishing between collectively harmful and beneficial actions.³⁵ One basis for their confidence is a conviction that the Qur'an and the Sunna, the traditional sources of Islam, provide considerable guidance. Another, which will be criticized further on, is a belief that in many important contexts a consensus will form and that this consensus will coincide with the public interest.

Overly optimistic assessments of human nature and capabilities also pervade discussions concerning other injunctions. On the subject of helping those in need, the Islamic economists have a tendency to write as if it were perfectly obvious what "need" is. Likewise, when exhorting employers to pay fair wages and sellers to charge just prices, they write as though everyone will attach identical meanings to "fair" and "just." They simply evade the treacherous task of making these concepts operational. This should not obscure the fact that if ten members of an Islamic society, all well versed in Islamic economics, were asked to quantify the need of a certain person out of work—or the fair price of ripe tomatoes, or the just wage of a novice bricklayer—they might well produce ten different answers. It is true, of course, that on some issues agreement would be easy. No one trying to follow the injunction to help the needy would want to let an unemployed person starve. But there is no reason to expect agreement to be automatic on the nature and magnitude of assistance.

We saw earlier that the Islamic economists would give the state an active role in preventing injustices associated with insurance. Further on we will see that they accord to the state many other roles in preventing injustice. They take it for granted, in this connection, that the officials in charge of identifying and correcting injustices will be both able and willing to carry out their duties in full. Such optimism is unwarranted, partly because no state official has unbounded cognitive abilities and partly because the powers at the disposal of an official constitute assets that can be used for self-enrichment.³⁶ Throughout the history

of Islam, in fact, there have been state officials, many of them very pious, who have abused their powers—by putting public resources to personal use, conferring privileges on relatives and friends, subsidizing prosperous groups at the expense of the poor, and in other ways.³⁷ This is not to say that the Islamic economists disagree with this interpretation of the past.³⁸ My reason for touching on the historical record is to draw attention to the fact that the Islamic economists have not offered a convincing explanation as to how the kinds of abuses observed in the past can be avoided in the future.

The prohibition of interest, deceptively straightforward in an abstract setting, poses a fundamental practical problem that many writers do not even acknowledge. Under inflation, is the borrower of a consumption loan obligated to compensate the lender for changes in purchasing power? Some of the writers who address the issue refrain from taking a position. And those who do take a position are divided, with some saying that fairness requires the indexation of loans, others that it bars indexation.³⁹ For those who favor indexation, an unresolved issue is whether the relevant price level is to be based on the lender's consumption basket or on that of the borrower.

Profit and loss sharing, the favored alternative to interest in the case of a business loan, presents another problem that has received little attention. Suppose an old person takes his savings to the only Islamic bank in his neighborhood, which offers him a profit-and-loss-sharing deal whereby it would receive 99 percent of any profits and, correspondingly, incur 99 percent of any losses. Is this deal fair from an Islamic standpoint? If the answer is "no" or "not necessarily," what are the lines of demarcation? One writer who takes up the issue states that the shares are to be determined by custom—as if a practice becomes fair by virtue of being customary.⁴⁰ Another writer, using a mathematical model, says that the shares are to be determined through the interaction of the supply and demand for contracts—as if, once again, an equilibrium allocation could never be lopsided.⁴¹ Only one writer, as far as I am aware, recognizes that the literature effectively evades the issue.⁴²

The point of all these criticisms is not to suggest that one *ought* to impose even tighter restrictions on economic transactions or that one *ought* to regulate every aspect of the economy; it is, rather, to expose as an illusion the Islamic economists' apparent belief that the Islamic injunctions would guarantee economic justice.

DISAGREEMENTS AND INCONSISTENCIES

This belief is all the more surprising when one considers that the Islamic economists do not themselves agree as to what the Islamic injunctions are. We have already seen how they differ in their positions on indexation, the scope of zakat, sharecropping, and publicly held corporations. Another fundamental controversy concerns the limits of public ownership. Quoting verses of scripture and passages from the Islamic classics, some writers maintain that the principle of equality requires public ownership of trade facilities, industrial raw materials, and even land.⁴³ Quoting different verses and passages, others hold that public

ownership is not necessary in these areas, except when this would improve social welfare.⁴⁴ Thus, Islamic justifications exist for both sharply curtailing private property rights and according them wide protection.

There is a similar controversy over the method of financing public projects. "A progressive taxation system," says one prominent Islamic economist, "seems to be perfectly in harmony with the goals of Islam."⁴⁵ Another sharply disagrees: "Progressive taxation assumes illegitimacy of the income of the rich. The rising slabs represent taxation with vendetta. Only a proportional tax at a fixed rate (on the pattern of *Zakāt*) is to be levied on the accumulated wealth of the capable taxpayers without any distinction."⁴⁶ Yet another Islamic economist sees merit in both positions: "Proportional taxation becomes Islamic if income and wealth are already distributed according to Islamic economic egalitarian criteria. . . . However, in the existence of maldistribution of income and wealth . . . a progressive system of taxation should be invoked."⁴⁷

Underlying this particular controversy is the fact that the principle of equality is subject to many different interpretations. Indeed, writers who agree that "moderate" inequality is acceptable often disagree over the limits of moderation.⁴⁸ It is worth noting that such disagreement is anything but new to Islam: even the early caliphs saw the limits differently.⁴⁹

On the disbursement of zakat funds, writers disagree as to whether funds collected in one year can be spent in another. Some take the position that rollovers are inconsistent with the spirit of zakat.⁵⁰ Others disagree, on the grounds that cyclical fluctuations in economic activity require disbursements to be greater in some years than in others.⁵¹

These and other disagreements belie the Islamic economists' belief that in an Islamic economy the attainment of substantive justice would be a procedural matter. On many central issues, the Islamic economists subscribe to contradictory injunctions, which means that, even though they share the same substantive objectives, they disagree as to the procedures needed to reach them. A person trying to weigh the merits of an Islamic economy might wonder: "whose Islamic economy is *the* Islamic economy?"

If we ignore actual and potential disagreements among the Islamic economists, we notice that the injunctions defended by any given writer are not always consistent with one another. Take the prohibition of interest on business loans and bank deposits, which, as I remarked earlier, is defended on the grounds that fairness requires the borrower and the lender to share risk. This interpretation of the principle of fairness would also seem to require employees to earn variable, as opposed to fixed, wages. Yet, many of the most vehement opponents of interest favor fixed wages, and some say explicitly that variable wages are unjust.⁵² If wages were variable, the argument goes, a fall in a firm's revenues might so lower its employees' wages that they would have trouble obtaining even the bare necessities of life. This situation would violate the principle of equality.

Leaving aside the question of why in such instances zakat funds or other reservoirs of altruism could not be brought into play, let us pursue the implications of coupling fixed wages with the absence of interest. It means, for instance, that a grocery worker is shielded from market risk as an employee, but not, if he

puts part of his earnings in an income-producing bank account, as a saver. Correspondingly, the owner of the grocery store bears the entire risk of his operation, while his neighbor the banker shares his own risk with the grocer's employee. I am not arguing that in practice grocers, bankers, and employees would find this arrangement undesirable or unreasonable. They may or may not, depending on a host of factors. My point is simply that the Islamic economists do not apply the principle of fairness consistently.

A subtler inconsistency involves the injunction against speculation caused by avoidable ignorance. Through examples, the Islamic economists try to show that the injunction would effectively block all transactions where the buyer and the seller might have avoidable differences over relevant characteristics of the traded commodities. But these examples do not make a case. Consider, first, the prohibition against selling a pregnant camel, and the associated suggestion that one may sell her after she has given birth and the sex of her offspring has been revealed. Does *all* avoidable ignorance end with the termination of pregnancy? Not at all. The mother could have a brain tumor, detectable through modern veterinary technology, which would make her expected life span very short. In practice, therefore, she could change hands with both the buyer and the seller expecting her to live ten more years, instead of the six months she actually has left. The buyer would then suffer what the Islamic economists call an undeserved loss, and the seller would enjoy an unearned gain.

For another example, take the ban on selling an orange tree in blossom, which carries with it the permission to sell the tree after it has borne fruit. Islamic treatises would have us believe that there is no avoidable ignorance once the oranges have ripened. In fact, the juiciness, sweetness, and vitamin C content of ripe oranges—to mention three of the characteristics that make them desirable—become known with greater precision when they are cut open, eaten, and analyzed. Traders of ripe oranges can thus reduce their ignorance through scientific sampling and testing.

The inconsistency, then, is to insist on the elimination of some types of ignorance, without demanding even the reduction of others that traders are capable, in the present state of technology, of reducing substantially. This inconsistency is the inevitable result of attempting to eliminate *all* avoidable ignorance. Since one can always avoid more ignorance through more tests, the approach will lead to arbitrary decisions, unless one bans trade altogether. In modern economies, traders' ignorance is reduced through mechanisms such as commodity standards, product brands, and warranties.⁵³ Some ignorance is deliberately tolerated, apparently because traders consider the cost of elimination to be prohibitive. But the trade-offs involved rarely appear in the Islamic economists' repertoire.

The specific prescriptions that permeate the contemporary literature, like those involving pregnant camels and orange trees in blossom, are by no means new. They figure prominently in classical Islamic jurisprudence, as solutions to recurrent commercial problems that threatened social stability. If, in the absence of a particular piece of information, a transaction tended to breed resentment, Islam's

jurists tied the legality of the transaction to the availability of this information. They hoped, thereby, to minimize the incidence of disputes.⁵⁴

The jurists did not always agree among themselves as to which informational imperfections were problematic enough to call for regulation. Nor, when in agreement on this count, did they always agree on the nature of regulation. In a recently published study, Nabil A. Saleh records, in encyclopedic fashion, the differences that existed among the various schools of law.⁵⁵ He documents, for instance, that while the Shafī'i, Hanbali, and 'Ibadi jurists categorically prohibited the sale of unripe fruits, the Malikis and some of the Hanafis allowed "the sale of fruits . . . which ripen in succession during one harvest, if such sale accompanies the sale of what has already ripened."⁵⁶ Apparently, there were also differences over the definition of ripeness. For the Malikis, Shafī'is, Hanbalis, and Ibadis, fruits ripened—and, hence, became ready for sale—when they turned sweet. For the Hanafis, in contrast, they ripened upon passing the flowering stage and attaining their final appearance.⁵⁷ Surprisingly, Saleh does not consider the inconsistencies he detects to hinder the task of defining the Islamic economic order. He suggests, on the contrary, that his study will *facilitate* Islamization, even though he ignores the question of how one is to choose among the conflicting positions.⁵⁸

PRIORITIES

Certain inconsistencies in the contemporary literature are at least partially attributable to the fact that justice is not the sole objective of the Islamic economic system. Among the other objectives are efficiency, growth, employment, and industrialization. A few authors appeal to such goals in justifying their reluctance to ban all transactions involving avoidable ignorance.⁵⁹

The apparent inconsistencies involving modes of cultivation are also traceable to other goals, although I am unaware of explicit arguments to this effect. As we saw earlier, the Islamic economists would prohibit the renting of agricultural land except in cases where the owner is engaged in socially beneficial activities, notably the defense of Islam. A landowner defending Islam is presumably away from home for extended periods of time. So, unlike his counterparts who stay home, he might not be able to monitor at low cost the productivity of his property. Allowing him to extract a fixed rent, as opposed to a variable share, eliminates the need for monitoring. As such, the fixed-rent contract can be interpreted as a compromise that promotes cost efficiency in monitoring over justice.

Other inconsistencies can be attributed to clashes between the principles of justice themselves. Take the contradiction between the prohibition of interest and the requirement that workers' wages be fixed. Each of these cases features a clash between fairness and equality. In the former case, the clash is resolved in favor of fairness; in the latter, in favor of equality. The resolutions differ because of an implicit assumption that workers are much poorer than investors. From this assumption—which does not always correspond to reality—it follows that

workers would suffer more severely from a decline in wages than investors would from a drop in their returns. Hence, the principle of equality prevails in the case of wages, but not in the case of investment returns.

Certain disagreements among the Islamic economists can be ascribed, likewise, to clashes between the two principles of justice. The dispute concerning progressive versus potential taxation and the potential disputes over such notions as need, fair wage, and just price can all be linked to variations in the weights accorded to fairness and equality.

A few Islamic economists recognize that, in some contexts, the principles of fairness and equality may conflict with each other or with a goal such as efficiency. One writer thus remarks that "Islam emphasizes the priority of justice over efficiency. . . . This is not to say that efficiency is not a relevant consideration, but only that it is not decisive."⁶⁰ Illustrating the implications of this ordering, he notes that it calls for a ceiling on firms' profits, although he does not discuss how the ceiling is to be determined.⁶¹ On the subject of resource allocation, another writer provides a long list of relevant criteria, from consumer preferences to project profitability to Islamic ideology. It may prove impossible, he says, to satisfy all of them at once, in which case they must be weighted according to importance. He does not specify how the weighting is to be done.⁶² Yet another writer detects a conflict over inflation. After noting that erosion of the purchasing power of money does injustice to the providers of interest-free consumption loans, he states:

This implies that any activity . . . which significantly erodes the real value of money should be considered to be a national issue of paramount importance and treated with a sense of concern. Nevertheless, there are other goals which are of equal, or greater, importance. If there is an unavoidable conflict between the realisation of these goals, and a compromise becomes inevitable, then the goal of stable real value of money may be somewhat relaxed provided that the damage done by such relaxing is more than offset by the realisation of other indispensable national goals and provided that such relaxing is undertaken only as long as absolutely necessary and does not become a permanent feature of the policies of the Islamic state.⁶³

But which other goals are "indispensable," and how is one to determine when they "more than offset" the damage done by inflation? On these crucial points, we are offered little guidance.

Most writers do not even bring up the issue of priorities. They appeal to one principle on the question of wages, another on interest; then, on modes of cultivation, they switch principles in mid-discussion, without, however, offering a rule to govern such switches. This style of argumentation is characterized by philosophers as "intuitionist," since it involves using intuition to strike a balance among different principles.⁶⁴ In intuitionist arguments, compromises are struck among principles as a matter of course, but because the priorities established remain implicit, they offer limited assistance in novel contexts.

Interestingly, a leading Islamic economist admits in one of his latest books that in resolving conflicts among Islamic goals "the appeal to intuition cannot be avoided altogether."⁶⁵ But he immediately reverses himself, dismissing the arbitrariness that intuitionism imparts to one's judgments. Islam's holy law [*shari'ah*],

he claims, specifies how the various considerations are to be weighted. He goes on to argue that “the so-called controversy between equity and efficiency is not real in Islam.”⁶⁶

It is important to realize that no intellectual enterprise as ambitious as Islamic economics can be entirely free of inconsistencies or avoid intuitionist argumentation. Our cognitive limitations as human beings preclude us from producing a fully coherent blueprint of the socioeconomic system we favor. They force us to segment our blueprint and to bring to the issues and problems that concern us disparate constellations of impulses, aspirations, assumptions, and logical processes. They prevent us, moreover, from articulating the complete rationale behind every feature of the blueprint.⁶⁷

This is not to say that the flaws of Islamic economics outlined here are excusable. While it may be true that total coherence is a mirage, it is also true that blatant inconsistencies can be avoided through careful and systematic reflection. Yet, as we have seen, even the few Islamic economists who notice certain inconsistencies attempt to deal with these in the most superficial manner. They eschew the painstaking task of bringing order over doctrine—a task to which generations of judges and social thinkers, in both Muslim and non-Muslim societies, have devoted their careers.⁶⁸ The task involves more than bringing coherence to abandoned injunctions of past centuries—as when an attempt is made to explain why fourteen centuries ago the caliph ‘Umar I declared that dates are subject to zakat, but not pomegranates.⁶⁹ It involves bringing coherence to current practices as well. Consider, for example, the ongoing policy of Saudi Arabia and the Gulf Emirates, according to which non-Muslims from the Far East are given preference in certain employment categories over Muslims.⁷⁰ Given that in various countries many well-qualified Muslims are out of work and that workers from the Far East are less likely to cause political trouble, is this policy justified by Islamic standards? As far as I can ascertain, the literature provides little help in resolving issues of this sort.

The Islamic economists might reject the bulk of this appraisal, for in a good many of their writings they maintain that Islamic thought is equipped with a sound methodology for resolving inconsistencies and handling novel issues. A major component of this methodology, they say, is analogical reasoning (*qiyās*), whose purpose is to apply established priorities to new contexts.⁷¹ It is true that in medieval Islamic treatises one finds extensive legal commentaries on analogical reasoning, as well as scores of applications.⁷² However, these do not amount to an operational system for the *coordinated* determination of priorities. And this is hardly surprising. For reasons just explained, establishing similarities between a novel case and familiar cases involves, even in the best of circumstances, a measure of arbitrariness. Also, a decision maker’s perceptions and values are inevitably colored by his personal experiences and by local conditions.⁷³ Islamic jurists, in fact, often produced a series of judgments on a single case.

Even if I am wrong and classical jurisprudence does provide an operational system for the determination of priorities, one would not know this from contemporary Islamic economics. Nowhere in this literature does one find articulated a set of general rules to govern analogical reasoning. Instead, one finds an

abundance of unsynthesized, disparate examples of analogical reasoning by medieval Islamic writers. When contemporary Islamic economists resort to analogical reasoning themselves, they do so in what seems to be the most arbitrary manner.

CONSENSUS

The Islamic economists claim, as I mentioned at the outset, that an Islamic economy would be free of the economic injustices allegedly rampant in capitalist and socialist economies. In various contexts, however, it is not clear what Islamic justice requires; nor is it clear what compromises are to be struck on account of other considerations.

These ambiguities have a far-reaching practical implication: even in a society composed entirely of pious Muslims eager to build the economic system championed by the Islamic economists, no one would possess definitive criteria for judging whether particular economic actions, practices, and institutions were just. Two members, equally well-meaning and learned, could easily differ as to whether a certain market institution conformed to Islam's twin principles of justice. Because of their differences, moreover, they could suspect each other of subscribing to un-Islamic principles, and their suspicions would disturb the envisioned social harmony.

Yet, most Islamic economists minimize, and some dismiss altogether, the possibility of discord. In the belief that the institutions of an Islamic society would be geared toward the reconciliation of individual differences, they maintain that people would eventually attain a consensus (*ijmāʿ*).⁷⁴ Some writers seem quite confident that this consensus would not conflict with Islamic principles. One says in this connection that "when new situations have been met by analogy or otherwise," the consensus of the community would prevent it from "drifting into heresy."⁷⁵ He builds his case partly on a saying commonly attributed to Prophet Muhammad: "My people shall never agree on error."

There are two distinct circularities in this position. First, the ability to determine whether or not a consensus is acceptable presupposes a consensus on what is properly Islamic. As we have seen, however, the Islamic economists do not even agree among themselves as to the implications of the Islamic principles. Second, the authenticity of the Prophet's saying is itself based on the consensus of the Islamic community. There is no guarantee that this consensus will endure, for scholarship has shed serious doubt on whether the saying belongs to the Prophet.⁷⁶

In any case, the Islamic economists are not really prepared to leave the economy's design to the community's consensus. They would not lend their approval to a consensus that they have perceived to conflict with Islamic principles—one, for example, that consented to the legalization of interest. Revealing a refusal to take the Prophet's saying literally, they also offer concrete measures to ensure the acceptability of the community's consensus. Coercion, some say flatly, is not one of these: people are not to be forced, on pain of punishment, to support opinions or interpretations with which they disagree. The emphasis is to

be on teaching the Islamic interpretation of history, inculcating Islamic principles of justice, and fostering a sense of brotherly cooperation. Through these educational measures, the argument goes, people's beliefs, opinions, and preferences will become harmonized, and they will, thus, become better equipped for the establishment of a consensus that meets Islamic stipulations.⁷⁷

This argument, too, is problematic, for it rests on a pair of premises that were shown earlier to be doubtful. The first is that there is a unique Islamic economic system, characterized by a well-defined ensemble of institutions, practices, and behaviors. The second is that there exists a class of knowledgeable leaders—presumably the Islamic economists themselves—who can teach people what the system entails. Both premises conflict with the fact that the Islamic economists are seriously divided over many basic features of the economy. How can one expect teachers who have not achieved a consensus among themselves to forge a consensus in the wider community?

A measure of consensus is essential, of course, to the smooth functioning of any society. If people are to live and work together in harmony they must agree on what is good or right, at least where this affects basic social issues.⁷⁸ The Islamic economists are justified, therefore, in according consensus a primary role in establishing their preferred social order. Where they err is in thinking that more Islamic research and teaching will lead to a *particular* consensus—to communal acceptance of a *God-given* set of injunctions, which unambiguously defines *the* just economy. They overlook that individuals' perceptions of justice are shaped in significant measure by their personal experiences, over which no Islamic establishment can possibly exercise full control. Which consensus, if any, comes into being will thus depend on people's experiences. Moreover, since each generation goes through a different set of experiences, one particular consensus might give way over time to another, or disappear altogether.⁷⁹

There is nothing novel about the Islamic economists' conviction that inconsistencies and disagreements will disappear through the formation of consensus. Since the 8th century A.D., Islamic scholars have accorded consensus an indispensable role in the creation and maintenance of social stability.⁸⁰ Yet a veritable consensus never did emerge—not even on the definition of consensus itself. Whereas al-Shafi'i, the founder of Sunni Islamic jurisprudence, defined consensus in terms of the entire community of believers, other jurists were apt to perceive it in terms of the leading scholars.⁸¹ Nor did educational efforts to bring about consensus put an end to the sharp divisions within the community over major social and economic issues.

The medieval jurists of Islam might be excused for underestimating the strength of the forces that could make Muslims differ in their interpretations. After all, the religion was still in its infancy at the time they wrote, and the methods for achieving the consensus they were proposing had just begun to be tested. Today's Islamic economists have much less justification for trusting that consensus will emerge and endure. Over the past fourteen centuries Islamic education has not prevented groups from pursuing, in the name of Islam, diametrically opposite causes. Under the banner of Islamic fairness, some have campaigned vigorously for raising certain prices that others, also touting the fairness principle, were

clamoring to lower. To provide another illustration, the accumulation of wealth has been defended on the grounds of fairness and efficiency, just as it has been attacked on the grounds of equality. It is obvious, too, that interpretations of Islam have a propensity to change over time. Until relatively recently, for instance, slavery was a tolerated institution that was regulated by the Islamic establishment.⁸² Today, many Muslims consider slavery unjust. Revealingly, the Islamic economists ignore the subject, except in listing the freeing of slaves among the uses of zakat funds.⁸³

CONCLUDING REMARKS

Despite their ambitious claims, the Islamic economists have not established that the injustices they find in existing social orders would be absent from an Islamic order. They have shown neither that the distribution of wealth would be relatively more equal in an Islamic order, nor that an Islamic order would be fairer, even by their own standards of fairness. The injunctions they propose are riddled with inconsistencies, and their conviction that Islam's consensus mechanism would eliminate these collides with the fact that they themselves are divided over many crucial matters.

As I mentioned at the outset, some of the flaws found in Islamic economic thought afflict other ideologies as well. Just consider the diverse schools of social thought that have developed around that electrifying cry of the French Revolution, "Liberty, Equality, Fraternity!" Each can be faulted for failing to specify how these three goals are to be attained and for harboring inconsistencies. In fact, whenever and wherever an attempt has been made to bring about these goals, major conflicts have erupted over what they require. Witness how the limits of liberty have never ceased to be a source of controversy. It has become apparent, too, that the goals sometimes pull in opposite directions. Thus, economic liberties have been found to generate inequality, and many egalitarian measures have rested on various forms of coercion. It is significant that in a number of Western countries schools of legal scholarship have emerged that are very critical of the practices of their community. These schools find many practices to be incompatible with the principles from which they ostensibly were derived, and the goals themselves to be deeply antagonistic.⁸⁴

All this points to the presence of a *universal* process preventing social doctrines from becoming totally clear and consistent. I argued earlier that this process is linked to the incontrovertible fact that human cognitive powers are limited. The Islamic economists see the matter differently. While agreeing that other doctrines are deeply flawed, they believe that Islamic thought, being divinely inspired, is exempt from the perils of human weakness. They thus ignore that, like the doctrines they indict so harshly, Islamic economics rests on human reasoning and interpretation.

This is not to say that all systems of thought are alike in every way. They differ in the severity of the ambiguities, inconsistencies, and illusions they harbor. They also differ substantively. A very major difference between Islamic economics and other doctrines that enjoy currency lies in the emphasis placed on liberty. In many doctrines, liberty is a supreme goal, on par with fairness and equality. In

many doctrines, liberty is a supreme goal, on par with fairness and equality. In Islamic thought, by contrast, liberty is barely an issue. It enters writings only through unsupported assertions to the effect that in an Islamic order transgressions of individual liberty would be minimal. The positions taken by Islamic economists make clear, however, that in the event of conflict between an Islamic injunction and individual liberty, it is liberty that must yield.

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NOTES

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¹For a survey of the literature by a leading Islamic economist, see Muhammad Nejatullah Siddiqi, *Muslim Economic Thinking: A Survey of Contemporary Literature* (Leicester, 1981). Critiques of the literature include Timur Kuran, "Behavioral Norms in the Islamic Doctrine of Economics: A Critique," *Journal of Economic Behavior and Organization*, 4, 4 (December 1983), 353–79; idem, "The Economic System in Contemporary Islamic Thought: Interpretation and Assessment," *International Journal of Middle East Studies*, 18, 2 (May 1986), 135–64; Frederic L. Pryor, "The Islamic Economic System," *Journal of Comparative Economics*, 9, 2 (June 1985), 197–223.

²For extensive comparisons, see Allama Yusuf al-Qardawi, *Economic Security in Islam*, Muhammad Iqbal Siddiqi, trans. (Lahore, 1981, first Arabic ed. 1966), ch. 2; Mohammad Abdul Mannan, *Islamic Economics: Theory and Practice* (Lahore, 1970), ch. 3; idem, *The Frontiers of Islamic Economics* (Delhi, 1984), ch. 5; Syed Nawab Haider Naqvi, *Ethics and Economics: An Islamic Synthesis* (Leicester, 1981), ch. 4; Alhaji Adeleke Dirisu Ajijola, *The Islamic Concept of Social Justice* (Lahore, 1977), esp. pt. 1.

³A representative work of Maududi is *The Economic Problem of Man and its Islamic Solution* (Lahore, 1975). Qutb's most relevant work is *Social Justice in Islam*, J. D. Hardie, trans. (New York, 1970, first Arabic ed. 1948).

⁴The most influential of these writings are by Mahmud Taleqani, Mohammed-Baqer Sadr, and Abol-Hasan Bani-Sadr. The crucial chapters of Taleqani's leading works have been translated into English by R. Campbell, under the title *Society and Economics in Islam* (Berkeley, 1982). For commentaries on the Shi'i literature, and for some further sources, see Shaul Bakhash, *The Reign of the Ayatollahs* (New York, 1984), ch. 7; Homa Katouzian, "Shi'ism and Islamic Economics: Sadr and Bani Sadr," in N. R. Keddie, ed., *Religion and Politics in Iran* (New Haven, 1983), pp. 145–65.

⁵For some explicit statements, see Ajijola, *Islamic Concept*, pp. 194–98; Afzal-ur-Rahman, *Economic Doctrines* (Lahore, 1980), I, 62–66; M. Umer Chapra, "The Economic System of Islam," 4 parts, *The Islamic Quarterly*, 14 (1970), 14–16; Ahmad Hasan, "Social Justice in Islam," *Islamic Studies*, 10 (1971), 211; Ausaf Ahmad, "A Macro Model of Distribution in an Islamic Economy," *Journal of Research in Islamic Economics*, 2, 1 (1984), 1; Mohsin S. Khan, "Islamic Interest-Free Banking," *International Monetary Fund Staff Papers*, 33, 1 (1986), 2.

⁶Chapra, "The Economic System," p. 11.

⁷Ausaf Ahmad, "A Macro Model," p. 1. For a third such statement see Muhammad Nejatullah Siddiqi, *The Economic Enterprise in Islam* (Lahore, 1972), p. 38.

⁸Several detailed surveys are available. Some are listed in note 1.

⁹The narrow interpretation of zakat is outlined by Afzal-ur-Rahman, *Economic Doctrines of Islam* (Lahore, 1976), vol. III, chs. 14–16. Various broad interpretations are put forth by Mannan, *Islamic Economics*, pp. 284–302; Monzer Kahf, “Fiscal and Monetary Policies in an Islamic Economy,” in M. Ariff, ed., *Monetary and Fiscal Economics of Islam* (Jeddah, 1982), pp. 125–37; Masudul Alam Choudhury, *Contributions to Islamic Economic Theory: A Study in Social Economics* (New York, 1986), ch. 5. On the disagreements among the reformists, see the commentaries on Kahf’s article, in Ariff, ed., *Monetary and Fiscal Economics*, pp. 138–44. Certain authors who subscribe to the narrow interpretation do not object to new taxes under other names. See, for example, F. R. Faridi, “Zakāt and Fiscal Policy,” in Khurshid Ahmad, ed., *Studies in Islamic Economics* (Leicester, 1980), pp. 119–30. For a critical review of the writings on zakat, see Kuran, “The Economic System,” pp. 143–49.

¹⁰Mannan, *Islamic Economics*, p. 182. The most detailed contemporary exposition of inheritance matters is contained in this source, pp. 176–86.

¹¹S. M. Yusuf, *Economic Justice in Islam* (Lahore, 1971), p. 61.

¹²Siddiqi, *Economic Enterprise*, p. 16. See also Mohammad Abdul Mannan, *The Making of an Islamic Economic Society: Islamic Dimensions in Economic Analysis* (Cairo, 1984), pp. 300–303.

¹³See Chapra, “The Economic System,” pp. 9–10; Masudul Alam Choudhury, *An Islamic Social Welfare Function* (Indianapolis, 1980), pp. 5–14; Naqvi, *Ethics and Economics*, p. 64; Siddiqi, *Economic Enterprise*, pp. 61–73.

¹⁴For extensive examples, see Muhammad Abdul-Rauf, “The Islamic Doctrine of Economics and Contemporary Islamic Thought,” in M. Novak, ed., *Capitalism and Socialism: A Theological Inquiry* (Washington, D.C., 1979), pp. 134–40; Siddiqi, *Economic Enterprise*, esp. chs. 2 and 3. For a critique of this injunction, see Kuran, “Behavioral Norms.”

¹⁵See, for example, Chapra, “The Economic System,” p. 9.

¹⁶On just prices and wages, see Mannan, *Islamic Economics*, ch. 8; Yusuf, *Economic Justice*, pp. 77–80.

¹⁷See Siddiqi, *Economic Enterprise*, pp. 52–54; Mannan, *The Making of an Islamic Economic Society*, pp. 256–58.

¹⁸For a survey of the Islamic position on interest, see Muhammad Nejatullah Siddiqi, “Islamic Approaches to Money, Banking and Monetary Policy: A Review,” in M. Ariff, ed., *Monetary and Fiscal Economics of Islam* (Jeddah, 1982), pp. 25–38. Also see Ziauddin Ahmed, Munawar Iqbal, and M. Fahim Khan, eds., *Fiscal Policy and Resource Allocation in Islam* (Islamabad, 1983), chs. 5–8; M. Umer Chapra, *Towards a Just Monetary System: A Discussion of Money, Banking and Monetary Policy in the Light of Islamic Teachings* (Leicester, 1985); Mohsin S. Khan and Abbas Mirakhor, eds., *Theoretical Studies in Islamic Banking and Finance* (Houston, 1987). Critical reviews of the writings on interest include Ingo Karsten, “Islam and Financial Intermediation,” *International Monetary Fund Staff Papers*, 29, 1 (March 1982), 108–42; Kuran, “The Economic System,” pp. 149–58.

¹⁹Yusuf, *Economic Justice*, p. 90.

²⁰The most detailed statement on insurance is by Muhammad Nejatullah Siddiqi, *Insurance in an Islamic Economy* (Leicester, 1985). Other statements include Yusuf, *Economic Justice*, ch. 6; Mannan, *Islamic Economics*, ch. 14; Muhammad Samiullah, “Prohibition of Riba (Interest) and Insurance in the Light of Islam,” *Islamic Studies*, 21, 2 (Summer 1982), 53–76. For a concise account of the controversies involved, see Siddiqi, *Muslim Economic Thinking*, pp. 26–28. On the issue of regulation, see Muhammad Akram Khan, “The Role of the Auditor in an Islamic Economy,” *Journal of Research in Islamic Economics*, 3, 1 (Summer 1985), 31–42.

²¹See Afzal-ur-Rahman, *Economic Doctrines of Islam*, 2nd ed. (Lahore, 1980), Vol. II, ch. 6; Siddiqi, *Economic Enterprise*, pp. 54–57; idem, *Insurance*, pp. 40–41.

²²See Afzal-ur-Rahman, *Economic Doctrines*, Vol. II, pp. 44–45; Siddiqi, *Economic Enterprise*, pp. 57–60; Ajjajola, *Islamic Concept*, pp. 237–40.

²³See Chapra, “The Economic System,” p. 149.

²⁴See Siddiqi, *Muslim Economic Thinking*, pp. 15–16.

²⁵They include Yusuf, *Economic Justice*, pp. 23–27.

²⁶ Afzal-ur-Rahman, *Economic Doctrines*, II, 173.

²⁷ *Ibid.*, ch. 10, esp. pp. 175–77.

²⁸ *Ibid.*, pp. 193–207.

²⁹ Ajijola, *Islamic Concept*, p. 181. Also see Yusuf, *Economic Justice*, p. 11; Siddiqi, *Economic Enterprise*, esp. pp. 115–35; Mannan, *The Making of an Islamic Economic Society*, ch. 11.

³⁰ Among the opponents of the modern corporation is Yusuf, *Economic Justice*, pp. 34–38. The proponents include Afzal-ur-Rahman, *Economic Doctrines*, I, 242–43.

³¹ Chapra, “The Economic System,” p. 16.

³² On the question of substance versus procedure, a very illuminating discussion relating to Islamic thought can be found in Majid Khadduri, *The Islamic Conception of Justice* (Baltimore, 1984), ch. 6. For general treatments, see John Rawls, *A Theory of Justice* (Cambridge, Mass., 1971), esp. pp. 83–90; Brian Barry, *Political Argument* (London, 1965), ch. 6; Geoffrey Brennan and James M. Buchanan, *The Reason of Rules* (Cambridge, England, 1985), ch. 7.

³³ *World Development Report, 1980* (Washington, D.C., 1980), esp. ch. 4.

³⁴ The scheme is that of Malaysia. See Ismail Muhd Salleh and Rogayah Ngah, “Distribution of the Zakāt Burden on Padi Producers in Malaysia,” in M. Raqibuz Zaman, ed., *Some Aspects of the Economics of Zakah* (Gary, Ind., 1981), pp. 80–153.

³⁵ Witness Naqvi, *Ethics and Economics*, p. 64: “The Islamic ethical principles not only determine individual choice and collective choice, but also provide a principle of integrating the two.” A supremely optimistic argument is put forward by Afzal-ur-Rahman, *Economic Doctrines*, I, 169–73.

³⁶ There is an extensive literature on the benefits conferred by state power. See James M. Buchanan, Robert D. Tollison, and Gordon Tullock, eds., *Toward a Theory of the Rent-Seeking Society* (College Station, Tex., 1980). Most of the major contributions published since this collection was issued have appeared in the journal *Public Choice*.

³⁷ Numerous examples are dispersed throughout Marshall G. S. Hodgson’s trilogy, *The Venture of Islam: Conscience and History in a World Civilization* (Chicago, 1974).

³⁸ Strictly speaking, the Sunni Islamic economists believe that official corruption became rampant after the death, in 661 A.D., of the fourth caliph ‘Ali. The Shi‘is believe that corruption became widespread at an earlier date.

³⁹ For the rationale behind the opposition to indexation, see S. M. Hasanuz Zaman, “Indexation—An Islamic Evaluation,” *Journal of Research in Islamic Economics*, 2, 2 (Winter 1985), 31–53; Chapra, *Towards a Just Monetary System*, pp. 39–42. The pro-indexation argument has been put forth by Mannan, *The Making of an Islamic Economic Society*, ch. 14A. The issue was addressed inconclusively at the second seminar on “Monetary and Fiscal Economics of Islam,” held in Islamabad in 1981. The proceedings of this seminar have been edited by Z. Ahmed, M. Iqbal, and M. Fahim Khan, under the title *Money and Banking in Islam* (Jeddah, 1982).

⁴⁰ See Umer Chapra, “The Prohibition of *Ribā* in Islam: An Evaluation of Some Objections,” *American Journal of Islamic Studies*, 1, 2 (August 1984), p. 34.

⁴¹ See Choudhury, *Contributions*, ch. 6; see also Zubair Hasan, “Determination of Profit and Loss Sharing Ratios in Interest-Free Business Finance,” *Journal of Research in Islamic Economics*, 3, 1 (Summer 1985), 13–29.

⁴² See Mohsin Khan, “Islamic Interest-Free Banking,” pp. 19–20. Khan also takes issue with the suggestion that profit and loss sharing would promote equality, indicating that this is not self-evident.

⁴³ See, for example, Ahmad Hasan, “Social Justice”; Ajijola, *Islamic Concept*, esp. pp. 208–24; Naqvi, *Ethics and Economics*, esp. pp. 147–50.

⁴⁴ Many of those who stress individual ownership are followers of Maududi. They include Chapra, “The Economic System”; Yusuf, *Economic Justice*; and Monzer Kahf, *The Islamic Economy: Analytical Study of the Functioning of the Islamic Economic System* (Plainfield, Ind., 1978).

⁴⁵ Chapra, “The Economic System,” p. 245.

⁴⁶ Yusuf, *Economic Justice*, p. 67 (italics in original).

⁴⁷ S. Waqar Ahmed Husaini, *Islamic Environmental Systems Engineering* (London, 1980), p. 135.

⁴⁸ The disagreements are discussed by Ausaf Ahmad, “A Macro Model of Distribution,” pp. 3–6.

⁴⁹ *Ibid.*, p. 5.

⁵⁰ See, for instance, Kahf, *The Islamic Economy*, p. 65.

⁵¹See Umer Chapra, "Review of Kahf's *The Islamic Economy*," *Journal of Research in Islamic Economics*, 1, 2 (Winter, 1984), 84.

⁵²See, for example, Afzal-ur-Rahman, *Economic Doctrines*, 1, 145–52. Variable wages are favored by certain writers, including Syed Aftab Ali, "Risk-Bearing and Profit-Sharing in an Islamic Framework: Some Allocational Considerations," in Z. Ahmed et al., eds., *Fiscal Policy*, pp. 253–70.

⁵³See Yoram Barzel, "Measurement Costs and the Organization of Markets," *Journal of Law and Economics*, 25, 1 (April 1982), 27–48.

⁵⁴See Abraham L. Udovitch, "Islamic Law and the Social Context of Exchange in the Medieval Middle East," *History and Anthropology*, 1 (1985), 445–65.

⁵⁵*Unlawful Gain and Legitimate Profit in Islamic Law* (Cambridge, England, 1986).

⁵⁶*Ibid.*, p. 59.

⁵⁷*Ibid.*, p. 60.

⁵⁸*Ibid.*, pp. 1–7.

⁵⁹See, for instance, Siddiqi, *Economic Enterprise*, pp. 56–57.

⁶⁰Syed Nawab Haider Naqvi, *Individual Freedom, Social Welfare and Islamic Economic Order* (Islamabad, 1981), p. 23. The same point is made by Chapra, "The Economic System," pp. 8, 94.

⁶¹Naqvi, *Individual Freedom*, p. 30.

⁶²Muhammad Abdul Mannan, "Allocative Efficiency, Decision and Welfare Criteria in an Interest-Free Islamic Economy: A Comparative Policy Approach," in Ariff, ed., *Monetary and Fiscal Economics*, pp. 43–62. See also his *Frontiers*, pp. 10–11.

⁶³Chapra, *Towards a Just Monetary System*, pp. 38–39.

⁶⁴On intuitionism, see Rawls, *A Theory of Justice*, pp. 34–45.

⁶⁵Mannan, *Frontiers*, p. 11.

⁶⁶*Ibid.* The quote is from p. xii, although the same point is also made on p. 1 and, following the remarks on intuitionism, on p. 11.

⁶⁷See Herbert A. Simon, *Reason in Human Affairs* (Stanford, Calif., 1983); and Michael Polanyi, *The Tacit Dimension* (Gloucester, Mass., 1983, first ed. 1966).

⁶⁸The argument that the role of judges and social thinkers is to bring order over doctrine is developed by Ronald Dworkin, *Law's Empire* (Cambridge, Mass., 1986).

⁶⁹See Afzal-ur-Rahman, *Economic Doctrines*, III, 217.

⁷⁰See Rodney Wilson, *Islamic Business: Theory and Practice*, revised ed. (London, 1985), p. 17.

⁷¹See Husaini, *Islamic Environmental Systems*, esp. pp. 79–81; Mannan, *Islamic Economics*, pp. 23–26.

⁷²See Fazlur Rahman, *Islam*, 2nd ed. (Chicago, 1979), pp. 71–79.

⁷³On the biases that inevitably enter analogical reasoning, see John H. Holland, Keith J. Holyoak, Richard E. Nisbett, and Paul Thagard, *Induction: Processes of Inference, Learning, and Discovery* (Cambridge, Mass., 1986), ch. 10.

⁷⁴See Husaini, *Islamic Environmental Systems*, p. 81 and ch. 5; Mannan, *Islamic Economics*, pp. 21–23.

⁷⁵*Ibid.*, p. 22.

⁷⁶The principal reason for doubting the saying's authenticity is that it emerged several generations after the Prophet's death, at a time when many Muslims were becoming acutely aware of the fact that their institutions were not based on scripture alone. See C. Snouck Hurgronje, "The 'Foundations' of Islamic Law," in G.-H. Bousquet and J. Schacht, eds., *Oeuvres Choisies—Selected Works* (Leiden, 1975), p. 275.

⁷⁷See Chapra, "The Economic System," esp. pp. 143–45; Afzal-ur-Rahman, *Economic Doctrines*, Vol. I, sects. 2–5 passim; Choudhury, *Islamic Social Welfare*, ch. 1.

⁷⁸See Brennan and Buchanan, *The Reason of Rules*; Edna Ullmann-Margalit, *The Emergence of Norms* (Oxford, 1977).

⁷⁹There is an extensive literature on the evolution of people's perceptions, to which researchers in several disciplines have contributed. For two broad statements, both by anthropologists, see Leslie White, *The Concept of Cultural Systems: A Key to Understanding Tribes and Nations* (New York, 1975); Mary Douglas, *How Institutions Think* (Syracuse, N.Y., 1986). The dynamics involved have been explored by Timur Kuran, "Preference Falsification, Policy Continuity and Collective Conservatism," *Economic Journal*, 97, 387 (September 1987), 642–65.

⁸⁰See George F. Hourani, "The Basis of Authority of Consensus in Sunnite Islam," *Studia Islamica*, 21 (1964), 13–60; Wael B. Hallaq, "On the Authoritativeness of Sunni Consensus," *International Journal of Middle East Studies*, 18, 4 (1986), 427–54.

⁸¹John L. Esposito, "Law in Islam," in Y. Yazbeck Haddad, B. Haines, and E. Findly, eds., *The Islamic Impact* (Syracuse, N.Y., 1984), pp. 71–75.

⁸²See Bernard Lewis, *Race and Color in Islam* (New York, 1971).

⁸³See Afzal-ur-Rahman, *Economic Doctrines*, III, 237–38; and Choudhury, *Contributions*, p. 56.

⁸⁴See Duncan Kennedy and Karl E. Klare, "A Bibliography of Critical Legal Studies," *Yale Law Journal*, 94, 2 (December 1984), 461–90.