

Foreword

The world today is in the grip of a devastating and protracted economic and financial crisis. What began with the collapse of Lehman Brothers in September 2008 has turned into a global catastrophe, shaking the very foundations of the capitalist system. The dominant paradigm of mainstream economics is also being increasingly challenged. If the fall of the Berlin Wall in November 1989 signalled the end of the seventy years' experiment with communism, the crisis that has engulfed the capitalist world has the potential to become an existential threat to capitalism, or at least to its present version of 'Market Fundamentalism', which represents the high watermark of a politico-economic experiment that has endured for over three centuries – a system whose advocates had begun to glibly claim it as 'the final destiny of mankind'.¹ Much seems to have been washed away by the powerful currents of this financial tsunami.

To have some idea of the magnitude and devastating consequences of this unending crisis, it may be worthwhile to reflect for a moment on some aspects of the predicament that has become the fate of humanity today. The leading British economist Roger Bootle describes the current state of the world economy as follows:

From the events of 2007/9, it seems plain that the financial markets have not worked to promote the common weal, and they have caused, rather than absorbed, chaos and instability. [...] If the system can produce such wealth-destroying success for some, how can it work for our overall benefit? And if the financial markets are like this, then what about the rest of the market system?²

By October 2009, within the first years of the advent of the crisis, the International Monetary Fund reported that the global losses in the banking

¹ Fukuyama, Francis, *The End of History and the Last Man* (London: Hamilton, 1992).

² Bootle, Roger, *The Trouble with Markets: Saving Capitalism from Itself* (London/Boston: Nicholas Berkley Publishing, 2009), p.3.

sector alone were to the tune of \$3.6 trillion.³ From the start of 2008 to the spring of 2009, the crisis knocked \$30 trillion off the value of global shares and \$11 trillion off the values of homes in the United States. At their worst, these losses amounted to around 75 per cent of world GDP.⁴ Philippe Legram observes, 'the collapse was more brutal than during the Great Depression. Within ten months of its peak in April 2008, world industrial production fell by an eighth and stock markets halved in value. In just three months, between November 2008 and February 2009, world trade plunged by a fifth.'⁵ The governments and the central banks of the U.S., the U.K., and the Eurozone had to pledge a total of \$8,955 billion to hold up the banks: \$1,950 billion in liquidity support, \$2,525 billion in asset purchases and \$4,480 billion in guarantees.⁶

According to a World Bank and IMF Joint Report even though a recovery is underway the impact of the crisis will be lasting and immeasurable.⁷ Programmes aimed at poverty reduction around the world will slow down. It is feared that some 20 million people in Sub-Sahara Africa and another 53 million globally will descend into an extreme poverty trap and that those already below the poverty line, some one billion unfortunate human beings, will face a serious erosion of their already miniscule purchasing power. Infant mortality will rise and the availability of safe water, primary education and medical care will nose dive. The conditions of life for the poor of the world will further deteriorate. Even in developed countries, loss of jobs and income are having a heavy toll. Official data show that some 16 million Americans have no jobs and over two million households in the US fear the forced loss of their homes. In the European Union some four million jobs have disappeared, pushing the number of the unemployed to 144 million. While trillions of dollars are being doled out to bailout banks, investment houses, and insurance tycoons, there is little concern for the households that are at the suffering end of this sordid mortgage scandal. The worst part of this obnoxious tale is that the victims, who had no role in driving the world into this crisis, have become the worst sufferers.

Noble Laureate Joseph Stieglitz laments the callous contrast one finds in the U.S. policy to provide massive \$700 billion to bailout the banks while 'ignoring

³ Stieglitz, Joseph, *Freefall: Free markets and the Sinking of the Global Economy* (London: Allen Lane, 2010), p.127

⁴ Legram, Phillippe, *Aftershock: Reshaping the World Economy after the Crisis* (London: Little Brown, 2010), p.70.

⁵ *Ibid*, p.71.

⁶ *Ibid*, p.71.

⁷ *Global Monitoring Report 2010: Achieving the MDGs in the Aftermath of the Global Economic Crisis*, Joint Report of the World Bank and International Monetary Fund.

the millions of homes going into foreclosure'.⁸ The U.N. Secretary-General Ban Ki-Moon brings into sharp focus this catastrophic aspect of the crisis, which he rightly describes as a 'moral problem'. He says:

The ranks of the global unemployed have grown by 34 million, and another 215 million women and men have become working poor. And, for the first time in history, more than one billion people are going hungry worldwide. The moral argument is clear. After all, those least responsible for the global economic meltdown have paid the highest price – in lost jobs, higher costs of living, growing community tensions as families struggle to make ends meet.⁹

Roger Bootle sums up this predicament of mankind in the following words:

How did we reach the current ghastly position? My answer to this question is a tale of greed, illusion, and self-delusion on a massive scale. It not only reveals the truth about markets and economies, but also shines a torch on the nature of society – and on human nature itself.¹⁰

However dark, dismal and devastating the costs and consequences are of this global crisis, there is a silver lining on the horizon in the form of serious efforts on the part of an increasing number of intellectuals to revisit the foundations on which the contemporary economic system is built. This crisis has exposed its feet of clay. It does not merely reveal a crisis of the financial system. In fact it has revealed many other dimensions in the forms of a *crisis of economy*, a *crisis of economics*, a *crisis of society* and ultimately a *crisis of civilization*. These crises have become a wake-up call for a number of economists and social thinkers to revisit the fundamentals of their disciplines, to get out of the safe cocoons into which many specialists have retreated, and to explore the root causes of the malaise that afflicts the world economy. It has also prompted people to search for alternatives – some seeking ways out *within* the dominant paradigm of economic thought and economy, and others endeavouring to search for a *new* paradigm – not a mere shift *within* the paradigm but a shift *of* the paradigm. Humanity today stands at a new threshold, seeking fresh avenues to move towards a new world order.

⁸ Stieglitz, *Freefall*, p.30.

⁹ 'Accounting for Success', 21 June 2010, <http://www.un.org/sg/articleFull.asp?TID=118&Type=Op-Ed>, accessed 21 March 2011.

¹⁰ Bootle, *The Trouble with Markets*, p.4.

Paul Volcker surmises that ‘the nature and depth of the financial crisis is forcing us to reconsider some of the basic tenets of financial theory’.¹¹ Will Hutton, the economic editor of the London *Guardian*, says, ‘The financial crisis challenges the assumptions we had about how the world is organized and shows that free market fundamentalism was a huge intellectual mistake.’¹²

Nobel Laureate Paul Krugman raises some fundamental issues about the discipline and practice of economics in a number of articles: ‘Few economists saw our current crisis coming, but this predictive failure was the least of the field’s problems. More important was the professional blindness to the very possibility of catastrophic failure in a market economy.’¹³ Krugman complains of a ‘hole in the heart of macro-economics’. He also records the confessions of Allen Greenspan, a key architect of America’s policies of economic liberalism, who had to admit in October 2008 that he was in a state of ‘shocked disbelief’ because ‘the whole intellectual edifice’ of global capitalism seemed to have ‘collapsed’.

The *Economist* has tried to capture this state of intellectual bewilderment in one of its editorials when it said, ‘of all the economic bubbles that have been pricked, few have burst more spectacularly than the reputation of economics itself’.¹⁴ It is being admitted in serious discussions that the ‘efficient market hypothesis’ has fallen to pieces. George Soros has come up with strong critiques of ‘Market Fundamentalism’ in all of his recent books and articles. In his book on *Globalization*, he said:

[H]umans are capable of transcending the pursuit of narrow self-interest. Indeed, they cannot live without some sense of morality. It is market fundamentalism, which holds that the social good is best served by allowing people to pursue their self-interest without any thought for the social good – the two being identical – that is perversion of human nature.¹⁵

Soros has established at the Central European University in Budapest an ‘Initiative for New Economic Thinking’ which is sponsoring research on developing new approaches to economics, making the discipline relevant to the

¹² Hutton, Will, ‘Thanks to the Credit Crunch, All Bets are Off’, *The Guardian*, 2 March 2009.

¹³ Krugman, Paul, ‘How Did Economics Got It Wrong’, *The New York Times*, 6 September 2009.

¹⁴ Editorial, *The Economist*, July 18th 2009. See also: ‘Onwards and Upwards’, *The Economist*, 19 December 2009.

¹⁵ Soros, George, *Globalization* (New York: PublicAffairs, 2002), quoted by Joseph E. Stiglitz, ‘A Fair Deal for The World’, *The New York Review of Books*, 23 May 2002.

current needs of human society and serve the objectives of justice and human well-being.¹⁶

Edward Conway claims, 'Following its failure to fix the current mess, economics has tumbled into a full-blown existential crisis.' The increasing scepticism about the irrelevance of most of the economic models to the current reality paves the way for search for fresh thoughts and approaches. According to Conway:

In the future, markets will be less free; there will be more regulation; the state will be more interventionist. Taxes may become more redistributive. But from the ashes of the crisis may come a new understanding of how to run an economy that is both more successful and more stable, than the failed models of the past.¹⁷

Roger Bootle, among others, has challenged the very concept of *homo economicus* and of market mechanism as the sole arbiter of economic decision-making. He says:

There is no doubt that *homo economicus* [as the self-interested, rational individual] is a simplifying assumption [in contemporary paradigms of economics] that yields results of analytical value and frequent applicability. But as an attempt at a total description of what drives human beings, there is also no doubt that it is profoundly misleading. There are two problems: the first concerns rationality and the second concerns motivation.¹⁸

After exposing the hollowness of these oversimplified concepts and the flawed analyses and policies emanating from them Roger Bootle comes to the conclusion that the 'key villain' is 'the subject of economics itself' and emphasizes a pressing need for 'a radical reshaping of the way economics and finance are studied and taught'.¹⁹ He makes a dispassionate plea that:

Economics must be rooted in an acknowledgment of what it is to be human, both as regards how human beings can be assumed to behave and the values by which their activity should be judged. *Homo economicus* needs to be laid to rest – for good.²⁰

¹⁶ Stieglitz, Joseph E. and George Akerlof, 'A New Economics in an Imperfect World', *The Guardian*, 28 October 2009. See also: Andrews, Alex, 'Praying for a Revolution in Economics', *The Guardian*, 11 July 2009.

¹⁷ *The Daily Times*, 31 July 2009.

¹⁸ Bootle, *The Trouble with Markets*, pp.79-80.

¹⁹ *Ibid*, p.232.

²⁰ *Ibid*, p.236.

A similar warning has also come from Anatole Kalatsky, who is also pleading for the birth of a new economics:

Economics today is a discipline that must either die or undergo a paradigm shift – to make itself both more broad-minded and more modest. It must broaden its horizons to recognize the insights of other social sciences and historical studies and it must return to its roots. [...] Either economics will reform itself quickly or the funeral will be for the discipline as a whole.²¹

Joseph Stiglitz also argues strongly for the reform of economics. He is convinced that some of the major causes for the crisis and injustices and contradictions in the world economy can be traced to the concepts and policy prescriptions of economics as a self-contained discipline, based on a set of assumptions about human nature, economic processes and incentives, market mechanism and the ethos of capitalism that characterizes the modern economy. In his latest work, *Freefall*, he devotes a chapter to ‘Reforming Economics’ as an essential ingredient to a reconstruction of the economic order. He is of the view that ‘as we peel back the layers of “what went wrong” we cannot escape looking at the economics profession’. He is of the firm view that ‘if the United States is going to succeed in reforming its economy, it may have to begin by reforming economics.’²² Stiglitz, after highlighting various key aspects responsible for the failure of the conventional paradigm of economics characterised by self-interest, profit motive, market mechanism, free trade and minimum state intervention, emphasizes the urgent need for a fundamental review of these concepts. He challenges the whole vision of *homo economicus*, the very bedrock of a capitalistic economy. ‘Most of us,’ he surmises, ‘would not like to think that we conform to the view of man that underlies prevailing economic models, which is of a calculating rational self-serving, and self-interested individual. There is no room for human empathy, public spiritedness, or altruism.’²³

He makes a plea for rethinking fundamentals and reformulating key concepts in economics. He also suggests that economists have to be responsive to the needs and aspirations of society. Human longing for a new just order cannot be ignored for long. An effort to rediscover and re-establish the relevance of ethics and morality to economic concepts and policy parameters will have to be an essential part of this exercise. The message of the current crisis is to reconstruct

²¹ Kalatsky, Anatole, *Capitalism 4.0: The Birth of a New Economy* (London: Bloomsbury, 2010), pp.185-186.

²² Stiglitz, *Freefall*, p.238.

²³ *bid*, p. 249

economics to serve the objectives of justice and well-being and not to serve the mere aggrandisement of wealth and power. Stieglitz makes a fervent plea for a new economics and a new society.

Stieglitz's concluding observation deserves serious reflection:

It is said that a near-death experience forces one to re-evaluate priorities and values. The global economy has just had a near-death experience. The crisis exposed not only flaws in the prevailing economic model but also flaws in our society. Too many people had taken advantage of others. [...] The unrelenting pursuit of profits and the elevation of the pursuit of self-interest may not have created the prosperity that was hoped, but they did help create the moral deficit.²⁴

There is a universal urge to develop a more value-based approach to the economic and political problems that beset man and society. The objective should be the establishment of a just and socially responsible world order. This calls for a new approach to life, its challenges and prospects. What is needed is a more integrated and holistic approach to all our problems, keeping in view the moral, social, cultural, spiritual, political, economic and cultural needs and aspirations of mankind. The shift of emphasis from machine to mind, from money to man, from means to ends, represents a qualitative shift in the global human situation. This brings the moral question to the centre of the debate and consequently concerns for justice become the ultimate objective, as against exclusive obsession with material affluence, physical development, and efficiency without reference to equity, as has been the case under the shade of conventional economics and the capitalist economic order.

Robert Fogel, winner of the 1993 Nobel Prize for Economics addresses this issue in his work *The Fourth Great Awakening and the Future of Egalitarianism*. His formulation of the real problem is succinct and perceptive. In his words:

At the dawn of the new millennium, the critical issues are no longer, whether we can manage business cycles or whether the economy is likely to grow at a satisfactory rate. It is not even whether we can grow without sacrificing the egalitarian advances of the past century. [...] Spiritual (or immaterial) inequity is now as great a problem as material inequity, perhaps even greater.²⁵

²⁴ Ibid, pp.275, 278.

²⁵ Fogel, Robert, W., *The Fourth Great Awakening and the Future of Egalitarianism*, (Chicago/London: University of Chicago Press, 2000), p.1.

Fogel emphasizes that:

In a world that our grandchildren will inherit will be materially richer and contain fewer environmental ills. [...] Ethical issues will be at the centre of intellectual life and engagement with those issues will form a large part of the fabric of daily life than is the case today. The democratisation of intellectual life will broaden debate and insinuate spiritual issues more deeply into political life.²⁶

The current financial and economic crisis has opened up new vistas for human reflection, dialogue and discourse, research and experimentation, and transformation and reconstruction of a better world. We have wasted too much breath on 'clash of civilizations'. It is time, instead, to give some serious thought to the *crisis of civilization* that has become the predicament of man in the contemporary world. It is a challenge that humans face in all parts of the world. It is time to look into all the resources that are available to mankind in its search for a brighter future.

Muslims constitute one fifth of the human race. There are 1.6 billion Muslims in the world today – some 1.1 billion in 57 independent Muslim states and 500 million in over 100 communities in the rest of the world. While there is a concentration of Muslim populations in countries in Western, Central and South-East Asia and in large parts of Africa, Muslims are a part of the demographic landscape of the entire world. With over 35 million Muslims in Europe and more than seven million in North America, Islam is the second largest religion in Europe and America. Fifty-seven Muslim states straddle over 23 per cent of the land surface of the world. Strategic land, air, and sea routes pass through the Muslim world and there is strong interdependence between the Muslim countries and the rest.

In the main, Muslim countries are resource rich, but they presently lag behind in economic and industrial capabilities. They have huge financial resources, but are weak in the fields of technology, management, and the advanced modes of production. Around 13 per cent of Muslim countries' trade takes place amongst themselves, and 87 per cent with the rest of the world. This shows their strong linkages with the global economy. It may also be noted that while most of the Muslim countries today belong to the group of developing countries, five are in the high human development group, twenty-five in the middle human development group and the rest in the low human development group.

The Muslim world was a global economic power for several centuries, and it was not until the time of the Western Enlightenment that economic

²⁶ Ibid, p.242.

stagnation or decline began to occur; and this lasted for more than 300 years. The re-emergence of the Muslim world as a powerful political and economic force is a recent phenomenon, and a lot of critical thinking is now examining what originally went wrong and how the Muslim world can set its house back in order. The rediscovery of its moral and ideological roots is a critical part of this exercise. The Muslim *Ummah* is passing through a very crucial phase in its history. This is not something new, as its entire history is characterized by challenges and responses. This is inevitable. A message as universal and eternal as Islam can neither avoid crisis nor can it escape phases of depression and renewal, nor, in some cases, even disintegration and reconsolidation. In fact, it is unavoidable in view of the Divine arrangement for humans, which is characterized by the endowment of freedom and discretion. Built into the Islamic scheme are elements that are unchangeable, and, as such, they constitute reference points for the system at all times. Along with these are elements that are flexible and changeable, albeit that these remain within the Divinely-laid ethos of the system.

Today's situation has many similarities with the scenario at the beginning of the twentieth century, notwithstanding some significant differences. By the end of the nineteenth century, the Muslim *Ummah*, which had played a distinguished role as a world power for over a millennium, was then totally overwhelmed by the forces of decay from within and the onslaught of European imperialism from without. The power-equation changed to the utter disadvantage of the Muslim world. It had far-reaching consequences for the entire realm of Muslim civilization. Western imperial powers represented a new civilizational paradigm. The expansionist role of the tutelary powers that vitiating the Muslim civilization's hold on social dynamics defined its predicament: it lost its leading edge in knowledge and technology, its economy went into shambles, and its political power was eclipsed. Even morally, culturally and intellectually it went into a tailspin. The lowest point was the abolition of what was left of the symbolic *khilāfah* in 1924.

This was the context in which a number of Muslim luminaries all over the world addressed themselves to the crucial question of what had gone wrong with the Muslim *Ummah*. Had Islam become irrelevant or was there something wrong with various Muslim approaches to Islam and its role in history? What should be the agenda for making Islam a major influence in the struggle for liberation from the colonial yoke and to reconstruct Muslim society on its own foundations? The purpose of all this effort was to reset the *Ummah* along the road to revival and reconstruction. Jamāl al-Dīn Afghānī, Amīr Shakīb Arsalān, Prince Ḥalīm Pāshā, Sa'īd Nūrsī, Muḥammad Iqbāl, Rashīd Riḍā', Muḥammad

'Abduh, Ḥasan al-Bannā, Abul Kalām Āzād, Sayyid Abul A'la Mawdūdī, Mālik bin Nabī and a host of other intellectuals and reformers reflected on these questions and came up with positive responses to steer the *Ummah* out of the quagmire it was steeped in.

In this galaxy of thinkers and reformers, Sayyid Mawdūdī occupies a distinct position. At the age of only 17, he took upon his shoulders the task of rebuilding the Muslim *Ummah* in 1920. After 10 years of journalistic encounters, he devoted himself to the uphill task of reconstructing Muslim thought and to establish a movement for socio-political change to pilot the *Ummah's* march towards a new world order. His aim was to develop a roadmap for the *Ummah's* revival, something that could also be a blessing for humanity. The publication of *al-Jihād fī al-Islām (Law of War and Peace in Islam)* in 1929 was his first major contribution. And thereafter until his death on 22 September 1979, he authored over 140 books and tracts on Islam, covering almost every aspect of its thought and historic experience. His greatest work is a six-volume exegesis of the Qur'an – *Tafhīm al-Qur'ān* – spanning several thousand pages.²⁷

Besides his articulation and reconstruction of Islamic thought, Sayyid Mawdūdī developed a critique of the Muslim society, identifying the causes and processes that had led to its decline and decay. He also came up with a powerful critique of the Western civilization, of its worldview, its vision of man, society and economy, and its achievements and failures. He was not oblivious to the positive dimensions of the Western civilization and the ideologies and movements that sprang from its womb. But, at the same time, he was critical of its intellectual confusions, its flawed concepts of man, religion and society, its moral dilemmas, its political and cultural deformities and its economic injustices and exploitations. His thought has influenced three generations of Muslims the world over. His works has been translated in over forty languages. It is small wonder that he is considered as one of the chief architects of the contemporary Islamic resurgence.

Sayyid Mawdūdī was a religious scholar, a social thinker and a political activist. His main contribution, first and foremost, lies in the reconstruction of Islamic thought, drawing on its original sources, yet in a manner that focuses on its relevance to our own times. He presents Islam as a complete way of life. Its message is to change humans from within, to refine and develop them spiritually and morally, and to mobilize these transformed men and women to

²⁷ The English translation of this monumental work is being published by the Islamic Foundation, Leicester under the title *Towards Understanding the Qur'ān*. Ten out of 18 volumes in total have been published at the time of writing.

reconstruct not only their own lives but also human society and civilization in the light of the worldview, values, principles and ideals spelled out in Divine revelation and the model of life and society demonstrated by Allah's prophets in general, and more specifically in the life and teachings of the last Prophet Muhammad (*pbuh*).

Sayyid Mawdūdī has written on almost all aspects of Islamic thought and practice. He has emphasized that Islam is a complete way of life, covering all dimensions of human life and activity. Islam is also a universal religion and the Muslim *Ummah* is a global community. Faith (*Īmān*) is the foundation and defines the true nature of Islam, its culture and civilization. The Muslim *Ummah* is a faith-based community. *Tawhīd* (the Oneness of God) establishes the unity of the universe, the oneness of humanity, the indivisibility of life and the universality of Islamic laws and values. Islam is not the religion of any particular nation, people, ethnic group, linguistic or territorial entity. Islam does not claim to be a new religion either. It stands for Divine Guidance, provided by the Creator of mankind through all His prophets from the moment life began on the earth. In that sense, Islam has been the religion of all Godly prophets and their followers. Indeed, Muslims believe in all the prophets from Adam through Noah, Abraham, Moses, and Jesus to Muḥammad (peace be upon them all).

Islam literally means 'peace' and 'submission.' It stands for faith in God, as the only object of worship and obedience. It stands for faith in His Prophet as a model and source of guidance. It demands a firm commitment, among its followers, to live in obedience to the Divine Will and guidance. *Shari'ah* (literally, the Path) is a set of norms, values, and laws that go to make up the landscape of Islamic way of life.

Islam believes in freedom of choice and does not permit any coercion in matters of faith and religion. It spells out a genuinely pluralistic religious and cultural landscape for mankind. It is by free will and dialogue that ideological borders can be crossed. Acceptance of each other, despite differences, is a cardinal principle of Islam. Islam concerns all aspects of human life – faith and worship, spirit and matter, personality and character, individual and society, economy and community, national and international concerns. However, overarching these aspects is its moral approach to life and the universe. The physical and the secular have been brought together under the umbrella of the spiritual and the sacred. It does not exclude the worldly dimension; it does not pit the secular against the sacred. Rather, it integrates all dimensions of life under one moral and spiritual regime. The Islamic approach, therefore, is primarily a moral and ideological approach directed towards all human beings, irrespective of faith, colour, creed, language, or territory. It regards plurality of cultures and religions

as genuine and respectable. There is also diversity within the Muslim *Ummah*. Islam does not stand for any artificial unity, forced conformity, or syncretism. It provides an authentic base for coexistence and co-operation.

Another important aspect of the Islamic faith and civilization relates to its emphasis on values, which are absolute and universal, and the identification of certain key institutions, which act as permanent pillars for the system on the one hand, and on the other hand there is a vast area of flexibility, which could cater for the demands of changing times. While its value framework is based on human nature and universal realities, it also acknowledges the need to work out details and develop modalities for the application of this value framework in the context of changing political, economic, and cultural scenarios. While Islam provides an overall regulatory mechanism, it avoids rigid instructions in respect of detailed human formulations. It regards the individual as the cornerstone of society, indeed of all creation. Each individual is personally accountable to God. As such, individuals are not merely cogs in the social machine. Society, state, nation and humanity are all important and each has a specific role to play, yet final accountability rests upon the individual. This ensures the centrality of the individual in the Islamic system. Yet it also relates the individual to the society and its institutions and promotes a balanced network of relations between them.

Islamic morality is based on the concept of fulfilment in life and not the denial of life. It is through moral discipline that all dimensions of human activity become part of virtuous conduct. Personal piety and public morality contribute towards the enrichment of life and the pursuit of personal and social well-being and welfare for all. Wealth is not a dirty word; in fact, wealth creation is a desirable goal, subject only to moral values and social imperatives. A good life (*Ḥayāt al-Ṭayyibah*) is one of the major objectives of human pursuit. Welfare in this world and welfare in the life-to-come are co-dependent, representing two sides of the same coin. It is this spiritualisation of the whole secular realm, and encasement of the entire gamut of worldly life and activities within a moral framework, that enables human beings to seek simultaneously to fulfil their own needs and to create a society wherein the needs of all are also fulfilled. Individual freedom, the right to property and enterprise, the market mechanism, and distributive justice are inalienable parts of the economic framework of Islam. However, there are moral filters at different levels – individual motivation, personal behaviour, social mores and manners, employer–employee conduct, and individual–state relationships that keep the economic processes within a wider framework that ensures equity and welfare in society. The state has a positive role to play, particularly in the nature of

supervision, guidance, and essential regularisation; and yet it also has to ensure freedom, economic opportunity, and property rights.

Islam emphasizes a more needs-oriented approach, and is committed to establishing a society in which the basic necessities of life are ensured for all members of the human race, primarily through personal effort, and reward-orientated activity, but to cater for these in an environment in which those who are disadvantaged are helped to live an honourable life and to become active participants in society. While Islam emphasizes wealth creation, its real focus is on moral excellence, spiritual bliss, and the creation of a just and egalitarian society where genuine equality of opportunity exists for all. This is only possible if society provides effective support for the weaker members of the community. This is done both through the institution of the family and through other organs of society and the state. The distinctive contribution of Islam to the economics lies in integrating freedom with responsibility and efficiency with justice. Justice is one of the key Islamic values and has been described as one of the objectives for which God raised His prophets.²⁸ Guidance does not merely relate to man's spiritual relationship with God: it is no less concerned with man's just relationships with all other humans and all that exists in the universe.

This, briefly, is the worldview and vision of man and society through which Mawdūdī's approach to economics and economy can be understood. Mawdūdī was not an economist in the professional sense of the term. Yet his writings on economic issues have led to the development of a distinct approach to the economy, which has come to be described as 'Islamic economics'.

He has not only explained at length the economic teachings of the Qur'ān and the *Sunnah*, but he also tried to define the economic problems of man in the broad context of his total civilizational existence. He has also spelled out in reasonable detail how these problems can be solved through an integrated approach by taking care of moral and material dimensions of economic life simultaneously. His main contribution lies in expounding and explaining the philosophy of Islamic economics in clear terms.

Professor Rodney Wilson, a leading British economist and Director of the Centre for Middle East and Islamic Studies at the University of Durham, says:

[Mawdūdī's] writings and speeches profoundly influenced a new generation of professional economists in the Indian sub-continent who sought to reconcile Islamic teachings with the ideas and concepts they had acquired through their economic training.... Although Mawdūdī had coined the

²⁸ The Qur'ān, 57: 25

term 'Islamic economics' it was really from the 1970s that the subject took on some of the characteristics of an academic discipline.²⁹

Dr Muhammad Umer Chapra, Senior Research Advisor at the Islamic Research and Training Institute of the Islamic Development Bank in Jeddah, Saudi Arabia, says:

In spite of not being a professional economist, Mawdūdī's contribution to Islamic economics was significant. He will go down in history as one of the few great scholars who laid down the foundation for the development of this discipline in modern times. Nearly all those writings in this field in the Indo-Pakistan sub-continent as well as other Muslim countries have been influenced by and owe a debt of gratitude to him.³⁰

His main contribution lies in explaining the philosophy of Islamic economics, its methodology and the major contours and institutions of an Islamic economic system as part of the Islamic way of life. He expounds the concept of *homo Islamicus* as against that of the *homo economicus* of conventional economics. It is interesting to recollect that the founders of two major schools of thought in contemporary economics, Adam Smith and Karl Marx were philosophers and not economists *per se*. Yet the classic and the socialist schools owe their origin to the thoughts and contributions of these two great thinkers.³¹

Mawdūdī's writings on economic issues cover five major themes:

First and foremost is Mawdūdī's vision of an economy that is humane, just and efficient, ensuring the fulfilment of needs and the well-being of all members of human society. As such it is the philosophic foundations, the moral values, the social objectives, and principles of socio-economic life that occupy the core of his writings on Islamic economics.

In my humble opinion, this is the most ground-breaking contribution of Mawdūdī. It deserves to be emphasized that it is the vision that constitutes the soul and substance of a discipline. He has not only expounded and developed

²⁹ Wilson, Rodney, 'The Development of Islamic Economics', in Suha Taji-Farouki and Basheer M. Nafi (eds.) *Islamic Thought in the Twentieth Century* (London: I.B.Tauris, 2004), pp.196-197.

³⁰ Chapra, M. Umer, 'Mawdūdī's Contribution to Islamic Economics', *The Muslim World*, 94/2, April 2004, pp. 163-180, citation at p.173.

³¹ A recent case in point is Elinor Ostrom of Indiana University who received the Nobel Prize for Economics in 2009. She is a professor of political science and is not a professional economist, yet her contributions have far reaching relevance for the discipline.

the vision of an Islamic economy and society with great clarity, but has also discussed in detail how this vision is distinct and different from those visions that inspired conventional economics and its variants. He has also made thought-provoking suggestions as to how economic analysis should have its roots in a holistic vision of economy, society and civilization.

I may submit in all humility that it is the *delinking of vision from analysis* that lies at the root of the current failure of conventional economics.³² It is in this context that Mawdūdī has emphasized that there must be an inalienable link between Islam's worldview, value framework and principles of individual and social organisation, and the dynamics of analysis in economic theory and processes of resource mobilisation for the development of economic life and policymaking. The role of religion and moral values in economic analysis and policy formulation is the most distinctive characteristic of the Islamic approach to economics.³³

Mawdūdī has dwelt on this aspect of economics at length and has shown how the establishment of a humane economy, one that could provide opportunities for the good life to all members of the society, is dependent upon this integrated approach. Economics and morality are inseparable. He has spelled out the implications of this integrated approach for different aspects of economic life and performance.

Secondly, Mawdūdī has highlighted the fact of the close interconnectedness between different aspects of human life and society. Hence he saw the need for an interdisciplinary approach, as against every discipline within the humanities and social sciences being isolated or confined to its own falsely-assumed-to-be-self-contained realm.

³² Heilbroner, Robert, L. and William Milberg, *The Crisis of Vision in Modern Economic Thought* (New York: Cambridge University Press, 1996).

³³ It is interesting to note that an increasing number of economists and social thinkers are now emphasizing the need to rediscover the close relationship between economics, religion and ethics. Professor Laurence R. Iannaccone of Chapman University, California, has surveyed some 200 recent articles published in academic journals. His conclusion is citing: 'Nigel Tones ... once began a paper by observing that "economics is fundamentally atheistic. Religious beliefs, practices, and behavior play no role in the life of homo economicus." I would end mine with a countervailing hope; the economics of religion will eventually bury two myths – that of homo economicus as a cold creature with neither need nor capacity for piety, and that of homo religious as a benighted throw back to pre-rational times.' Iannaccone, Laurence R., 'Introduction to the Economics of Religion', *Journal of Economic Literature*, Sept 1998, pp.1465-1496. See also: Roth, Timothy P., *Ethics, Economics and Freedom* (Aldershot/Sydney: Ashgate, 1999) and Rothschild, Kurt W., *Ethics and Economic Theory* (Hampshire: Edward Elgar, 1993).

Human life is indivisible: each aspect of life influences the others. While specialisation has a genuine role to play, it is unrealistic and highly damaging to divide life into watertight compartments, creating independent worlds for each and every discipline that studies any aspect of human life. The *exclusiveness* with which economics has been developed during the last two centuries has resulted in the emergence of a one-dimensional science, focusing only on self-interest, profit-maximization and competition. Consequently, the pursuit of economic gains became the sole driving force for all human efforts, resulting in a vast array of falsifications, distortions and inequities that characterize our current economic reality. 'Society' has been reduced to 'economy', and 'economy' to the 'market'. What began as an extension of moral philosophy to the realm of material pursuits has been reduced to a calculus of pecuniary gains and losses. The *delinking* of economics from religion and morality was not the end of the tale. Economics was gradually *delinked* from all the other disciplines too, from philosophy, politics, sociology, psychology, history and so on. These linkages have to be restored and strengthened if realistic solutions to human problems are to be worked out. An interdisciplinary approach is a must for this new beginning.

Thirdly, efficiency has become *the* central concern of economists over the years. The efficient allocation of resources is a genuine objective in both economic analysis and policymaking. But in this process of allocation yet another serious *delinking* has taken place – that between *efficiency* and *equity* and *justice*. This has been disastrous for both the economy and society. Mawdūdī, on the other hand, has emphasized that justice must remain the central objective. Efficiency is an essential *means* by which to serve the ends of equity and well-being, but it is *not* an end in itself. This delinking must also be reviewed so that personal interest could be coupled with social responsibility, wealth-creation with useful consumption and production, and economic development with distributive justice and collective well-being. Profit-maximization cannot be the sole objective; it must be tempered with considerations of justice, fair play, security and welfare. The market mechanism is the most suitable process for decision making, but market must operate within the context of well-defined moral, legal and social parameters. Individuals must continue to play a pivotal role, but institutions are equally important, and, in some situations, are even more important. Competition must be the heart of the productive process, but cooperation and compassion have to be equally important forces in fashioning the working of the economy and society. The state cannot and should not be a passive spectator: it has a regulatory and corrective role to play so as to

ensure fulfilment of society's goals. Mawdūdī has emphasized that while all stakeholders' must play their respective roles, the state and civil society must have a positive role to ensure that economic development serves the objectives of justice and welfare for all members of the society.

Fourthly, Mawdūdī's distinct contribution lies in demonstrating the relevance of some key Islamic concepts and ideas to the contemporary situations and challenges. He has critically examined the economic ideologies and systems that have held the sway during the last two centuries. He has tried to develop in concrete terms the objectives of economic activity as expounded by Islam and has spelled out the framework and modalities of an Islamic economic system. He has also discussed the possibilities and prospects for the introduction of an Islamic economic system in the contemporary context, first within the Muslim countries, and then possibly as a model for others. In this respect, he has highlighted the need for drawing directly from the Qur'ān and the *Sunnah*, revisiting the contributions made in the *fiqh* literature and developing fresh ideas and approaches by examining the objectives of the *Shari'ah* and re-codifying its economic injunctions and guidelines.

Finally, Sayyid Mawdūdī has highlighted, in a forceful manner, the principle that money should play an *intermediary* role in the economy and is *not* as an *objective* in itself. The focus of economic effort should always be on the development of the physical economy, i.e. the production of goods and services, their equitable distribution and useful consumption to promote well-being and contentment in society.

A major tragedy of the contemporary capitalist society is an ever-increasing *delinking* between the money economy and the physical economy. Today the economy is awash with money, real and fiduciary, but the concrete processes of value-addition are falling far short of meeting even the essential needs of the global human community. An *autonomous* space has been created for the vicious game of '*money begetting money*', without expanding the real economy. Credit is no longer an instrument for creation of real wealth; it has become as self-sustaining world of its own. There is an explosion of debt at all levels of economy, in households, firms, and states. It is these bubbles that are expanding and multiplying, and not the real flow of goods and services that lead to the fulfilment of human needs and comforts. Islamic economics is a plea to re-establish the *link* between the monetary and physical dimensions of the economy. U.S. President Obama has been forced to admit in one of his recent speeches that 'the world needs less of financial engineering and more of real engineering'. It is an eye-opening situation in the world economy today that

daily sale-purchase for foreign exchange is some *fifty* times more than that of the actual international trade in goods and services.³⁴

It deserves to be noted here that the main characteristic of Islamic finance is its inalienable link with the real economy and asset-creation. Amongst the factors responsible for current economic crisis are role of *ribā* (interest), *maysir* (speculation) and *gharar* (uncertainty and ambiguity). Islam prohibits all these. A recent IMF Working Paper makes this interesting observation:

Comparing the performance of Islamic banks to conventional banks globally would suggest that Islamic banks performed better, given the large losses incurred by conventional banks in Europe and the US as a result of the crisis.³⁵

Sayyid Mawdūdī's impact on the theory and practice of Islamic economics is visible in at least three directions. Firstly, he not only explained the economic teachings of the Qur'ān and the *Sunnah* with clarity and full command over the subject, but he initiated the process of the development of Islamic economics as an academic discipline. Research into different aspects of economics from an Islamic perspective has progressed during the last 50 years. Many research institutions have been established for this purpose in different parts of the world. Dozens of international conferences have been organized and countless seminars and roundtables have been held to develop different aspects of this nascent yet evolving discipline. Over a hundred universities in the Muslim world and elsewhere have introduced Islamic economics as a teaching discipline. The impact of Mawdūdī's contribution can be seen in all of these pioneering efforts.

Secondly, Sayyid Mawdūdī was not an armchair intellectual. Islam is a message for change and Mawdūdī played a significant role in the emergence and piloting of the global movement for the spiritual and moral transformation of men and women from within and their mobilization for the establishment of a new social order mirroring Islam's ideals, values, and principles. Mawdūdī's key concern has been the establishment of an Islamic order in its entirety. As such,

³⁴ Noam Chomsky says: 'In 1971, 90% of international financial transactions were related to the real economy – trade and long-term investment – and 10 per cent were speculative. By 1990 the percentage was reversed and by 1995 about 95 per cent of the vastly greater sums were speculative, with daily flows regularly exceeding the combined foreign exchange reserves of the seven biggest industrial powers, over 1 trillion a day, and very short term about 80 per cent with round trips of a week or less'. Chomsky, Noam, *Profit over People: Neoliberals and Global Order* (New York: Seven Stories Press, 1999), pp.23-24.

³⁵ Hasan, Maher, and Jemme Dridim, 'The Effects of the Global Crisis on Islamic and Conventional Banks: A Comparative Study', IMF Working Paper, September 2010.

his message has been that Islamic economics cannot be developed in isolation of society's transformation. That is why Islamic economics has three dimensions, which relate to each other and are inseparable: the normative dimension, the positivist or analytical dimension and finally its transformational role to reconstruct and reform economy and society.

He consistently emphasized the need for the reconstruction of the economic life of Muslims, as individuals and at community, societal and state levels to implement an Islamic economic programme in practice. The emergence of the global movements for Islamic finance, banking, and insurance are salient factors to be borne in mind. Other developments relate to establishment of organizations to implement the injunctions relating to *Zakāh*, *Ṣadaqah* and *Infāq*. These developments represent economic aspects of the contemporary Islamic resurgence. But Mawdūdī has emphasized that these constitute only stepping stones to a process of greater change, i.e. towards the reconstruction of the entire socio-economic-political order.

Finally, Mawdūdī's impact can be seen in respect of areas of policymaking. He has emphasized the need to reformulate the whole spectrum of economic policymaking at all levels, i.e. towards the individual, the firm, the civil society and the state. They must be geared to promote efforts towards the establishment of a just social order. It is instructive to compare the constitutions of Muslim countries that were drafted before Mawdūdī's main period of writing and research and those that have been influenced by the movements for Islamic resurgence. The incorporation of the directive principles of state policy into the constitutions of Pakistan, Iran and Sudan, to give only three examples, clearly show the influence of this new economic thinking based on the socio-economic ideals and imperatives of Islam. As such, Mawdūdī's thought and activism have played an important role in defining the Islamic economic agenda of our times.³⁶

³⁶ Other key influences have been Muḥammad Iqbāl, Ḥasan al-Bannā, Muḥammad Bāqir al-Ṣadr, 'Alī Sharī'atī, Sayyid Quṭb, Necmettin Erbakan, to mention some of the more prominent figures. An idea about the current state of the discipline of Islamic economics in all of its major allied dimensions in philosophy, theory, historiography, research and teaching, as well as developments in the field of policymaking and its institutional and operational advancement can be had from a major research reference, *Encyclopedia of Islamic Economics*, currently being published under the general editorship of Professor Abdelhamid Brahimi and myself. The first volume on *Principles, Definitions and Methodology* (2009), under the editorship of Dr. Nejatullah Siddiqi, and the second volume, *The Islamic Economic System* (2010), under the editorship of Dr. Monzer Kahf, have been published; three more volumes are in preparation at the time of writing.

Mawdūdī's economic writings go back to the 1930s. He penned down scholarly discourses on subjects such as *Sūd* (interest), *Ḍabṭ-i-Wilādat* (birth control), *Zakāh* (poor-due), *Isrāf* (extravagance) and *Qimār* (speculation and gambling). He continued his learned discourses on Islamic economic issues and produced four thought-provoking books – *Sūd (Interest)*, *Islām Aur Jadīd Ma'āshī Nazariyāt (Islam and Modern Economic Ideologies)*, *Mas'ala-i-Milkiyat-i-Zamīn (The Question of Land Ownership)*, and *Islām aur Ḍabṭ-i-Wilādat (Islam and the Issue of Birth Control)*. He contributed a series of articles, tracts, booklets and speeches highlighting Islamic perspectives on issues of economic significance. These books and articles will, because of their foundational role in the definition, ethos and scope of Islamic economics, will continue to shape and influence both the development of the discipline and its real-world applications. His ideas on economic issues are prominent in more than a dozen of his books and in hundreds of his speeches and articles. It was in the 1960s that I felt the need to compile a book, which would bring together all of his essential writings on Islamic economics, so as to make his thought available in one volume. This need had gained more urgency because of a national debate in Pakistan on the future shape of the economy in the country, which was caught between the conflicting demands of the emerging capitalist system in the country and its critique from writers of the left. It was in the context of this national debate that Islamic Economics moved into the centre of the political discourse. At the University of Karachi, where I was teaching economics, I took the innovative step of introducing the teaching of Islamic economics in its courses on comparative economic systems. Subsequently, similar steps were taken at other universities in Pakistan. This wider interest prompted me to compile selected writings of Mawdūdī on economic issues into one volume. That is how the original Urdu version of this book *Ma'āshiyāt-i-Islām* came into existence, which was published in 1969. The volume contains, in addition to the author's articles and speeches, excerpts from his monumental exegesis *Tafhīm al-Qur'ān*, as well as relevant portions of his six-volume masterpiece *Rasā'il-wa-Masā'il (Questions and Answers on Current Issues)*. I also included in this volume an adaptation and synopsis of his writings on the questions of land ownership and interest from his two books *Mas'ala-i-Milkiyat-i-Zamīn* and *Sūd*. Every effort was made at the time to fit these selections with one coherent framework so as to present an integrated discourse throughout the collection. Yet it is important to point out that our efforts to express the matter to suit the scheme of this volume are in no way a proper substitute for the original books themselves, which remain of great importance for detailed study of these subjects.

The book has been divided into two parts. Part One deals with the Islamic philosophy of life and economy. It critically reviews the economic systems currently in practice in the world and provides an in-depth explanation of Islam's standpoint and the principles for the economic dimension of human existence, as laid down in the Qur'an and the *Sunnah*. This section constitutes the heart of the book and has been a lasting source of guidance to students, scholars, and policymakers. Deriving inspiration from these thoughts and insights, a large galaxy of professional economists has tried to operationalize these ideas into economic instruments. This book has served as a beacon to students of economics to discover and develop a distinctly Islamic approach to economic problems and issues and for the public at large it has served as an inspiration to strive for the establishment of an Islamic economic system as part of an Islamic society and state. Sayyid Mawdūdi has led the way, and now the Muslim economists and business practitioners are engaged in a heroic struggle to develop Islamic economics and to pursue pathways that may lead to the establishment of an Islamizing economy.

Part Two of the book deals with the application of Islam's economic philosophy to certain specific issues and areas of activity. Although it focuses on a few aspects of Islam's economic system, the discussion nonetheless opens up new vistas of research. The articles in Part Two present the Islamic injunctions on some basic economic issues of the day, such as land ownership, interest, *Zakāh* and social justice. They also provide students and scholars of economics with the necessary guidance to study and understand those issues in the light of Islamic injunctions and the fundamental principles of *Shari'ah*. These articles also show the way towards a creative and innovative approach, instead of merely following the beaten track of unquestioning and blind acceptance of Western economic formulations and models, including its economic theories and precepts. In addition, they give us guidance about the practical limits within which fresh *Ijtihād* or scholarly re-interpretation of the Qur'an and the *Sunnah* on juridical issues should take place. We need to have a balanced approach towards modern theories and precepts: nothing needs to be rejected outright, but nothing should be blindly followed either. After careful examination and critical scrutiny, we have to determine what is acceptable from an Islamic perspective and what is to be rejected if it violates Islamic norms and values, as reflected in this beautiful proverb:

خُذْ مَا صَفَا وَدَعْ مَا كَدَّرَ

(Take that which is clear and unambiguous and leave that which is muddled and unclear.)

Part Two of the book reflects this constructive and creative approach, and by studying it students of economics can promote the right vision and develop appropriate approaches on issues of economic importance. It can also serve as an inspiration for future study and research.

First Principles of Islamic Economics is an English translation of the original Urdu compilation of 1969, with some new additions. A very important speech of the author, which was given to the Economics Society of the University of Punjab, has been included in this volume. Some other additions have been made in other parts of the book, which add to the usefulness of this English-language edition.

I would like to take this opportunity to express my great appreciation for the meticulous job that has been done by my colleague, Mr Ahmad Imam Shafaq Hashemi, who is a Senior Research Fellow at the Institute of Policy Studies, Islamabad. He deserves our heartiest congratulations for his remarkable translation of the book. It was a difficult task to piece together the material that has been culled from different sources, and written on various occasions, and yet to retain a semblance of continuity and sequence. I tried my best and feel proud that Sayyid Mawdūdī was gracious enough not only to express his satisfaction on the work but to say that even if he had edited this material he could not have been better. I have no hesitation in saying that my work on the Urdu edition of *Ma'āshiyāt-i-Islām* has been taken up with greater dexterity and skill by Shafaq Hashemi, who has rendered the Urdu text into English in a manner that conveys the author's ideas with eloquence and precision. The present format of the book makes for a lucid and pleasant read; I hope that students, scholars, and general readers will find it equally refreshing and helpful in understanding the basics of a discipline of global importance.

Before I conclude I would like to place on record that *First Principles of Islamic Economics* is part of a sixteen-volume project to present in English the essential works of Sayyid Mawdūdī. I have worked on this project for the last five years but due to ill-health, I am now finding it difficult to do justice to this gigantic project. I am happy to note that Dr Anis Ahmad, Vice-Chancellor at Riphah International University, has agreed to serve as the general editor for the series. As part of this project, my worthy colleagues Dr Zafar Ishaq Ansari, Shafaq Hashemi, Tariq Jan and Sayed Akif are working on various volumes that are in the pipeline. I acknowledge with thanks our gratitude to the World of Islam Trust, Islamabad, for sponsoring the project, and the Madina Trust, Peterborough, U.K., and particularly its Chairman, Ziaul Hasan, as well as the Sarwar Jehan Charitable Foundation, Leicester, for their financial support. My thanks are also due to Dr M. Manazir Ahsan, Director General of the Islamic

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Khurshid Ahmad