

## An Agenda for Muslim Economists: A Historico-Inductive Approach

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ABSTRACT. Islamic economists preoccupation with the deductive approach needs being moderated by a greater recourse to induction, especially in discussing the role of values in the economic system. Values have played an important role in the Christian West in the past, notwithstanding the current advocacy of moral relativism. Every social decision implies a value judgment. Values permeate the contemporary body politic as they did in the past. An empirical approach will, therefore, broaden the scope of Islamic economics and increase its interaction with others.

### I

In seeking to devise the economic institutions of an Islamic society two distinct approaches are possible. First, one may go back to fundamental Islamic principles and deduce there from the criteria that Islamic economic institutions must satisfy. A second approach is to observe the variety of economic institutions that actually exist and screen them on the basis of their concordance with Islamic economic philosophy. The first approach is deductive in bent and has been applied on a multitude of occasions.<sup>(1)</sup> It is the aim of this paper to guide our thoughts to the second or inductive approach.

The strength of the deductive approach lies in its clarity and in the readiness with which it permits us to detect inconsistencies in our fundamentals. However, every deductive system necessarily abstracts from certain features of reality and one cannot know *a priori* how influential these omitted factors will turn out to be. As a result, the move from theory to practice turns out to be quite difficult when one has at hand only deductive models. It is just here that the inductive approach shows its strength; because it deals with actually functioning institutions, we are assured of something that is practicable. The task of ferretting out the inconsistencies can be left for the future.

A significant real difference between the two approaches is seen in their treatments of the role of values in economic systems. One of the practical defects of the deductive approach is that it takes for granted the full-fledged existence of Islamic motivation. While the presence of such forceful, living faith is no doubt the most desirable state of affairs, we have to face the fact that our beliefs and institutions are daily subject to renewed attacks and need to be continually reinforced. In defense of the deductive approach it can be said that the task of providing an Islamic ethos is the responsibility of "somebody else." While this is a legitimate procedure in many cases, it is my belief that the method has been much overused. We cannot continue to elaborate upon our common core beliefs without either repeating ourselves or spinning out finer and finer deductions which become increasingly difficult to implement.

It is essential to emphasize the role of motivation. We not only want to create a society oriented to Islamic values but also because the primary bias of our Western-guided education is to minimize the role of values or to set up criteria which make Western values appear "natural." A careful historical study of the growth of Western economies makes the importance of values to the developmental process so obvious that there is little danger of forgetting this issue subsequently. The first and most important step however is to convince economists who have been trained in the West, like myself, to acknowledge the *necessary* role of values in guiding an economy. This is attempted in section 2 below.

The strength of the inductive approach is also demonstrable in that it permits Muslims to use insights from the experience of other religions, particularly from the *Ahle-Kitab*. This is important because the modern nation state, modern science and the Industrial Revolution all occurred in countries that were substantially controlled by Christian beliefs and attitudes. A guide to this approach is provided in Section 3 below. The conclusion tries to gather up the main threads of the earlier sections.

## II

The issue of values is particularly difficult to pose to those who accept the prevalent ideology of relativism in ethics, individualism in politics and competition in economics. The *modus operandi* of Western practical ethics may be described as follows: "As there are no absolute values available our institutions must be such as to exert minimal influence; as individuals are the supremely valuable objects (this is considered a minimal value judgment) we are to permit a maximal amount of self-expression; the flowering of freely growing individuals will not only give us a maximum of variety (an unqualified good) but also, when harnessed by the yoke of competition, provide us with the greatest amount of goods and services; competition not only produces cheapness, it is also an impersonal force. Any values embodied in the competitive process cannot be associated with the values of any *body*, by virtue of the impersonality of competition. Therefore, the competitive mechanism is the most neutral mechanism for providing ethical judgments in an amoral society". The parts fit in fairly closely for a variety of issues and form an attractive whole - the only pity is that people frequently fail to absorb the fact that it *is* ideology.<sup>(2)</sup> The greatest impact of this ideology is the negative one of persuading us that society can function very well without some norms considered to be objectively true for any given society.<sup>(3)</sup>

For those who take a comparative view of society, it will be immediately apparent that the Western view is very much peculiar to itself. George Santayana never tired of emphasizing that modern liberalism is utterly distinct from classical liberalism in its explicit denial of such a thing as "common humanity" - this is of course a consequence of the view that the individual is supreme and cannot even be legitimately judged by the standards of his peers. When we say "Man is the measure of all things" we do not mean that Mankind is the measure of all things but rather the very different statement that each individual is the measure of all things. Is such an ethic really essential to the formation of modern society? Certainly such an ethical system was *not* prevalent during the centuries when Europe was rising to its supremacy.<sup>(4)</sup> The examples of the most successful economies of the Far East, Japan, Korea and Hong Kong should readily dispel any thought that the variety and richness of American society are vital to the functioning of a modern industrialized society. When a Japanese minister gave himself as a hostage to save hijacked passengers the Japanese Diet rewarded his heroism not by an oil well but with a white vase. How different must a people be who could consider this an adequate honor?

The persistence of faith in individualistic values is all the more curious in view of the fact that it is so frequently falsified by the actions actually undertaken by various groups. The American Medical Association has repeatedly tried to halt the entry of qualified foreign doctors; General Motors of America is now engaged in joint ventures with Japanese auto-makers in order to produce a competitive small car. The United States government actively intervenes in agriculture in order to preserve the world market price of wheat while complaining bitterly about the success of OPEC in maintaining the price of oil.

The hypocrisy of its devotees is of course no convincing argument against an ideology but the wonder is that such instances do not provoke interest in the nature and qualities of the prevalent ideology. A deeper set of objections lie in pointing out that a philosophy of individualism is undesirable even on the values commonly accepted by its adherents. Who would wish to let people drive as they want to and let natural selection and competition find out the optimal traffic rules? And how can it be main tamed that people are more secure by allowing them *all* to carry rifles? And if rifles, why not machine guns and heavy artillery? If cheapness is truly such a virtue why does the United States not lessen its burden of defense by hiring Chinese soldiers to protect themselves? Of course these positions are absurd. But why? It is the failure of individualistic philosophy to emphasize the hierarchy of values that is the issue, a failure most visible in the *ad hoc* manner in which all deviations from individualism and competition are introduced.<sup>(5)</sup>

Not only is it undesirable to adopt a consistently individualistic philosophy, it is also impossible to do so. All nation states discriminate between citizens and non-citizens - how can this be done without a value judgment about the relative merits of citizen and alien? When boatloads of Haitian refugees are turned away from the shores of Florida are they not being told that native Americans are more worthy of the riches of this nation than they are? How are we to deal with children, whose minds are, on the prevailing philosophy, *tabula rasa*? Children *must* be taught and it is futile not to admit that their minds become capable of forming independent judgments because they have

grown within a structure. A rose plant has a well-defined shape; it is crabgrass that best expresses a free individualism.

In terms of questions more commonly assigned to the province of economists, the market economy needs a value system that legitimizes private property and market transactions, that provides justice, maintains a legal system, and justifies such laws as are in force as being worthy of obedience. It is particularly necessary when a depression hits a market economy. Full employment quiets many queries about inequality but an empty cupboard needs ideological support. One important aspect of Capitalism is production for the future. This will be undertaken only if society is assumed to be stable. The framework of such a society must justify the work ethic and legitimize the supply of effort; it has also to legitimize consumption and thus maintain demand for the products that arise from the work ethic. A failure to consider both sides of this problem is the root of the purely analytical weakness of the theses of Max Weber and Werner Sombart. Furthermore, as Joseph Schumpeter (1950) emphasized more than anyone else in recent times, effective capitalism is a status society.<sup>(6)</sup> J.P. Morgan revealed a considerable truth when he said that one could do business with anyone but only gentlemen were fit for sailing with. Anyone who has scratched the surface of the East Coast establishment of the United States, with its Yale Clubs and Harvard Clubs and Princeton Clubs, cannot fail to be aware of this reality. Now status carries with it the definite connotation of legitimacy. And who can provide legitimacy without relying on some moral values?

Let it then be accepted that we must live in societies with Governments; that such government can function only by having to make repeated value judgments: in providing defense and defining citizenship; in building roads and regulating public utilities. If we want public schools and subsidies for the arts then we must define what it is to share a "common humanity" and agree on the qualities that best express the noblest attributes of human beings.<sup>(7)</sup>

### III

The most popular objection to the idea of introducing an explicit set of values, Islamic or otherwise, in a modern nation-state is that such an approach is "out-of date," "obsolete" and "impractical." The implication is that a "value-free" or at least "neutral" view of public life is the only feasible modern solution. I have argued in the earlier section that a detached attitude is neither possible nor practiced. The truth is that there is widespread imposition of values under the guise of neutrality and the mask falls only when the challenge is sufficiently fierce. To bring this point home, one may observe the behavior of those most credited with embodying modern values - scientists. The Big Bang Theory of astronomy was arrived at without any theological preconceptions. Certain astronomical facts demanded explanation and in the course of devising an explanation, astronomers hypothesized that the Universe was not eternal, but had started at some definite point in time with a "Big Bang". Now the problem with a theory which suggests a moment of creation is that we are inevitably led to ask for a creator. Scientists were not slow to grasp this point and reacted to the scientific hypothesis accordingly.<sup>(8)</sup>

Eddington wrote in 1931, "I have no axe to grind in this discussion". but "the notion of a beginning is repugnant to me... I simply do not believe that the present order of things started off with a bang... the expanding Universe is preposterous ... incredible... it leaves me cold". The German chemist, Walter Nerst, wrote, "To deny the infinite duration of time would be to betray the very foundations of science". More recently, Phillip Morrison of MIT said in a BBC film on cosmology, "I find it hard to accept the Big Bang theory: I would like to reject it".

Who would have believed that feelings of warmth and cold or desire "to like" were foundations for accepting scientific theories?

Indeed, if the modern belief in neutrality were true, then one would be hard-pressed to explain how the modern industrial nation state arose at all, since the West was definitely Christian during the thirteenth to the nineteenth centuries. Popular belief again has it that modernity arose in spite of Christianity. Scholars however know better.<sup>(9)</sup> The accumulated insights of the last fifty years point to a pervasive and constructive intertwining of Christianity and modern civilization. In view of the dominant agnostic bias of the educational process, it is hard to predict if such results will filter down at all to the level of general education. It is in the hope of making Muslims more aware of the relevant issues that the following points are raised.

The first point about Christian civilization is the obvious one that it was cosmopolitan. As Joseph Schumpeter has forcefully noted, the Middle Ages provided one of the few occasions when the educated class truly felt itself to be part of "one world" despite the national boundaries and individual cultures; the cement of a common language and a common faith enabled people to find a transcendent unity.<sup>(10)</sup>

All those monks and friars spoke the same unclassical Latin,- they heard the same Mass wherever they went; they were formed by an education that was the same in all countries: they professed the same system of fundamental beliefs: and they all acknowledge the supreme authority of the Pope, which was essentially international: their country was Christendom, their state was the Church. But this is not all. Their internationalizing influence was strengthened by the fact that feudal society itself was international. Not only the Pope's but also the Emperor's authority was international in principle and, to some varying degree, in fact. The old Roman Empire and that of Charlemagne were no mere reminiscences. People were familiar with the idea of a temporal as well as of a spiritual super state. National divisions did not mean to them what they came to mean during the sixteenth century; nothing in the whole range of Dante's political ideas is so striking as is the complete absence of the nationalist angle. The result was the emergence of an essentially international civilization and an international republic of scholars that was no phrase but a living reality. St. Thomas was an Italian and John Duns Scotus was a Scotsman, but both taught in Paris and Cologne without encountering any of the difficulties that they would have encountered in the age of airplanes.

Within this sociological unity, Christian civilization served to develop certain vital attitudes for modern life. First, Christianity encouraged the view that it was possible to obtain rational knowledge of the world because it had been created by an intelligent and loving God. Without the metaphysical belief that the universe *should* display an underlying coherence, why would scientists even bother to examine their surroundings

carefully? Even specific theological tenets had a positive influence in formulating scientific concepts. When Bishop Tempier of Paris proclaimed in 1271 that a vacuum was within the power of God, he squarely opposed highly respected Aristotelian physics. In this way a specific theological tenet opened the way for scientists to think more freely about a vacuum, without which abstraction it is hard to conceive of the formulation of the laws of motion.<sup>(11)</sup>

The belief in an ordered universe was influential in another deep-seated way. The Greeks had believed in "Nature" as an eternal entity, a living organism; by contrast, the Christian view was that God had created the Universe out of nothing. Now an organism can be changing in unpredictable ways whereas a creation is a construction, a machine whose workings can be investigated. The difference in the two attitudes is great; the one tends to accept and admire organisms, and the other to investigate and understand machines. Today, we think of the mechanization of the world-picture achieved by Newtonian physics as marking a defeat for religion whereas it was in fact but the fruition of the Christian viewpoint.

Not only was the Newtonian world view an embodiment of Christian triumph, it is also true that Newton himself was a devoutly religious man. He devoted over a third of his life to theology and tried hard to prove the existence of God through his scientific work. This preoccupation with "obsolete" concerns led Lord Keynes to call Newton "the last of the magicians".

The dignity of labor was of course a general feature of Christian doctrine, but it received special emphasis in the hands of the Puritans in the sixteenth and seventeenth centuries. The Puritans spoke of people having a "calling" to their separate vocations. God gave us all different talents so that we could all serve mankind in our different ways. This age-old theological commonplace was given fresh meaning by the Puritans who made work, even for the rich, a duty to God. Insofar as the modern world is based upon a fundamental emphasis upon work, Max Weber appears to have been right in stressing the role played by religious beliefs in laying the foundations of modern industrial life.

In addition to motivating steady labour for the greater glory of God, sixteenth century Protestantism also sanctified the acquisition of riches by its success in persuading the rich to give up their wealth for worthwhile causes. In a detailed study of the pattern of voluntary donations between 1480 and 1600, W.K. Jordan (1959) found that the rich men of this age gave enormous amounts of their wealth to the poor, to educational institutions, for hospitals and municipal works and to the Church.<sup>(12)</sup> What is most relevant to this paper is that the most prominent group of donors were Puritan merchants. Far from being a hard-hearted, cold and self-centered group for whom religion served to mask the love of money, these men grew rich through hard work and frugality, and then gave up their superfluous wealth to others.

It is indicative of the difficulty of finding out the role of religion in Western civilization that W.K. Jordan, the author who discovered these significant facts, insists on interpreting the movement in terms entirely foreign to the men and women whom he studies. Consider, for example, the following words:<sup>(13)</sup>

As we shall have frequent occasion to point out, these benefactions tended to be militantly and aggressively secular in temper and in purpose, though it by no means follows that the donors were not themselves men of the sternest possible piety.

Professor Jordan does not see fit to explain how these individuals came to acquire such persistent schizophrenia - they thought they were doing everything for the glory of God, but twentieth-century scholarship discovers that this piety was really a cloak for militant and aggressive secularism!

In the years to follow, the importance of religious motivation was to show itself in English life in a multitude of ways. Whether it be in the movement to suppress the drinking of gin, or to reform prisons and asylums, or to emancipate slaves, devoted Christians are to be found among the leaders of such movements. During the eighteenth century the intellectual leaders of the English church strove hard to make the omnipresence of God familiar to men through the study of nature. Using Newtonian physics as a model, a practice encouraged by Newton himself, the philosopher-theologians of this age preached the idea that commercial, individualistic society could be run in a manner akin to the motions of the planets, with enlightened self-interest playing the role of gravity. When Adam Smith spoke of the "Invisible Hand" in the *Wealth of Nations* he was only finding a label for that which was long familiar to his age.<sup>(14)</sup>

The clergymen of the eighteenth century were stopped short of defying market society by their belief that self-interest could become a monster if it were not channeled by the authority of conscience. Bishop Warburton used this as a basis for arranging an *Alliance between Church and State*. Bishop Butler, on the other hand, asked the profound question whether self-interest would lead individuals to bad outcomes as well as to good ones, and if so, whether whole communities could not go mad at once in the pursuit of their self-interest. It was a protegee of Butler, Josiah Tucker, who brought this line of thought to fruition and argued that war for commercial reasons was a species of collective madness totally opposed to the lights of Christianity.

While the Anglican hierarchy in England was grappling with the problem of morality in a commercially developed economy, the Anglican church in Ireland was busy trying to improve the conditions of the underdeveloped Irish economy. A number of Anglo-Irish church leaders such as William King, Bishop of Derry, Jonathan Swift, the author of *Gulliver's Travels*, and George Berkeley, the philosopher, tried to provide solutions for the deep and persistent economic problems of the Irish economy. Swift fearlessly criticized the English as an imperialistic colonial power whose aim was to exploit the riches of Ireland. Others, like Berkeley, recognized the constraints imposed by English colonization and argued that it was better to strive along the paths open to them rather than sit back, complain and do nothing. The Dublin Society was formed and took widely recognized actions to foster self-help among the Irish poor. In view of the animosity between Protestants and Catholics in Ireland, it is significant that Berkeley explicitly addressed a pamphlet to the Irish Catholics urging them to alter their poverty.

In the social writings of the Anglican clergymen we find two features of considerable importance for Islamic attitudes to Marxism. First, there was widespread recognition of the fact that, even in the late seventeenth and eighteenth - centuries, there

existed a class with no source of support but their labor - a proletariat. Hence, we can expect their writings to contain analysis of the problems raised by the existence of such a class of citizens. Secondly, the Anglo Irish clearly recognized the fact that, even though the Irish Parliament was nominally independent, it was actually controlled by the English. This is the phenomenon of "dependent bourgeoisie" in modern Marxist jargon. That serious Anglican Christians could employ class categories in their analysis of social evils should be taken as an example that many Marxist categories of thought are much older than Marxism and that, if they help us to achieve a clearer analysis, Muslims should not be afraid to use them.

The example of Berkeley is particularly significant. He began and ended life as a philosopher and was convinced that true philosophy would serve to establish the glory of God. He began by detecting fallacies in existing materialism and urging that true philosophy was both simple and accessible. He gave up some of the best years of his life towards missionary efforts in the Americas, then showed the existing contradictions in the logical foundations of the calculus. To make innocuous a man of such nobility he was given the poor Irish bishopric of Cloyne. But Berkeley turned even this to his advantage by writing a deep pamphlet on Irish economic problems, the *Querist*, a work which went through seven editions within twenty years and did much to stimulate economic thought. It is sad to think that Berkeley's example and intellectual legacy are appreciated by so few. Both for developed and for developing economics, the Christian example has much to offer.

#### IV

Islam does not view itself as a new religion, only as the culmination of many earlier prophetic missions including of course those given to Jews and Christians. The dominant force in Western education today is secularism - a way of life which explicitly relegates religion to the realm of the private while cheerfully making a variety of value-judgments on the basis of "science" or the "public good." The simple but all pervasive fact that *every* social decision implies the acceptance of a set of values and is therefore a form of imposition is relegated to the position of a minor curiosum. As a result, those of us taught in the West would have to spend much time and effort reconciling our hearts with our heads. The difficulty arises only because "ideology" is minimized during our education so we are led to believe that there exists only some obvious or natural decisions all "educated" people should make. It is this unspoken, unwritten implication that gives rise to conflict in religious minds. Once the issues are out in the open, the difficulties can be faced and decisions cleanly taken. The real damage is done when we are being silently and subliminally persuaded.<sup>(15)</sup> In part two of this essay I have tried to provide a guide to those issues where values must enter and which one has therefore to be particularly aware of.

A second derivative of the current secular approach is the suggestion that societies which deviate from the desired norms of religious indifference and individualism are doomed to practical failure and economic stagnation. The fact that the entire history of the West belies this facile implicit premise is a source of intellectual embarrassment and, however much scholarship may establish otherwise, the vested interests of secular academia are given to perpetuating the myth of secularist progress. (That such an outcome is possible even in countries like the United States, with a Christian majority,

is a useful lesson to keep in mind). Suppose children were taught in elementary school that faith in an ordered and beneficent universe, in progress, in the right of mankind to enjoy the fruits of the earth - the whole metaphysics of Science and Technology - as well as belief in hard work, thrift and charity - the whole fabric of commercial society - were all derivatives from faith in the God of Judaism and Christianity, and hence of Islam. How would it look if children were then told that silent prayers in school violated the laws of the land? Modern education seems bent on denying some of its deepest roots.

### Notes

1. For a guide to this literature, see **M.N. Siddiqi**, "*Muslim Economic Thinking: A Survey of Contemporary Literature*".
2. This ideology is very close to the surface in most of the "public choice" school, e.g., **R. McKenzie** and **G. Tullock**, *The New World of Economics*.
3. I cannot enter into the validity of subjectivity ethics and I will limit myself to the more utilitarian aspects of current philosophy but it would be improper of me not to indicate my own bias by quoting John Donne: No man is an island, alone unto himself.
4. The absurdity of such present-minded historical writing, with respect to pre-industrial England is shown in: **J.C.D. Clark**, *English Society 1688-1832*.
5. **A.K. Sen**, "Liberty, Unanimity and Rights".
6. **J. Schumpeter**, *Capitalism, Socialism and Democracy*.
7. It is symptomatic of the contradictory nature of modern liberalism that it pronounces the "arts" to the embodiments of the most worthwhile human aspirations and yet is unable to persuade the public to support such nobility directly.
8. **R. Jastrow**, *God and the Astronomers*. This paragraph draws on my "Islamic science and Islamic values", unpublished mimeo. pp 102-103.
9. **R.S. Hooykaas**, *Religion and the Rise of Modern Science*. I follow Hooykaas on several points, pp. xi-xiii.
10. **J. Schumpeter**, *A History of Economic Analysis*, pp. 75-76.
11. **H. Butterfield**, *The Origins of Modern Science*. p. 9.
12. **W.K. Jordan**, *Philanthropy in England 1480-1660*, p. 349.
13. **W.K. Jordan**, *op. cit.*, p. 247.
14. These paragraphs draw on my own research. Some of my findings are summarized in: **S. Rashid**, "*The Clergymen-Scholars of Economic Development*".
15. **W.K. Kilpatrick**, *The Emperor's New Clothes*, provides several examples of the infiltration of antichristian psychology into Christian educational curricula.

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## برنامج عمل للاقتصاديين المسلمين : منهج تاريخي استقرائي

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**المستخلص :** إن شدة انشغال الاقتصاديين المسلمين بالمنهج الاستنتاجي ينبغي عليهم موازنته بمزيد من اللجوء إلى الاستقراء، وبخاصة عند بحثهم دور القيم في النظام الاقتصادي. فقد لعبت القيم دوراً مهماً في الغرب المسيحي في الماضي، على الرغم من الدعوة الحاضرة إلى النسبية الأخلاقية.

ينطوي كل قرار اجتماعي على موقف قيمي. وتتغلغل القيم في الحياة السياسية المعاصرة كما في الماضي. لذلك فإن إتباع منهج استقرائي تجريبي سيوسع مجال الاقتصاد الإسلامي ويزيد من تفاعله مع الآخرين.