

## BOOK REVIEW

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### **Islamic Economics: A Short History**

**By Ahmed El-Ashker and Rodney Wilson (2006)**

**Leiden, the Netherlands, 450 pages**

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*Islamic Economics: A Short History* is a joint work of Ahmed El-Ashker and Rodney Wilson. Rodney Wilson is a Professor of Economics and Director of Postgraduate Studies at Durham University's Institute of Middle Eastern and Islamic Studies. Ahmed El-Ashker is a Professor of Finance in the Faculty of Management Sciences at the Prince Songkla University in Thailand. Both authors have written numerous books and articles on Islamic economics, banking and finance.

The book contains nine chapters, including glossary, bibliography and index. The work covers Muslim economic thought from the emergence of Islam and economic environment in Ancient Arabia. The economic concepts discussed in the book are based on the Quran and Sunnah and the thinking of early Muslim scholars and jurists. The book also covers the economic environment and Islamic economic thoughts during the Umayyads and the Abbasids period. Later development in Islamic economic thought inclusive of the Ottomans, Safawids and Moghul period is also discussed. Moreover, the book also includes recent development and the revival of interests in Islamic economics in the last century.

The coverage of the book is quite extensive starting from the pre-Islamic Arabia period during 800 B.C. to 610 A.C. until the recent Islamic economic situation in the 20th century. Each chapter starts with an introduction with chapter Six runs the longest at 51 pages and Chapter Five at 59 pages. There is also a transliteration of Arabic letters, glossary, index and an extensive list of bibliography. The authors also include a brief summary of each chapter in the preface. However, the intended audience for the book wasn't clearly mentioned. Given the extension coverage period in the Muslim economic thought, some chapters are understandably shorter than others. The second paragraph of the preface states that: "*This study intends to link the past with the present, into the preparation for the future.*" The past is discussed with specific reference to each period, but the coverage of present and future state of Islamic economics is at minimum level.

Chapter One covers Pre-Islamic Arab: Poetry, Tribal Rivalry and Heroism (800 B.C.-610 A.C). Basically, it is the historical context that set the stage for the previous chapters. The last two sentences of the chapter summarize the authors' opinions

succinctly, where it states that: “ *Ignorance needed enlightenment, education and redirection, and these were what Islam offered. And this is part of the strength of the religion.*”

Accordingly, Chapter Two follows with “The Birth of the Islamic State, Economic Thought in the Quran and the Sunnah (610 A.C.-632 A.C.)”. It is one of the longest chapters running from pages 30-91. The chapter provides the framework of Islamic economics based on the Quran and Sunnah. The Quran is the word of Allah revealed to the Prophet Muhammad. The Sunnah represents the Prophet’s sayings, his practice and his approval of others’ practices. The authors discuss economic thought based on three ideological concepts namely the concept of unity, the concept of vicegerency of human beings on earth and the concepts of free-will and responsibility. The authors also mention three main principles in Islamic economics namely principles of moderation, principle of economic efficiency, and principle of social justice (p.37). The rest of the chapter further elaborates on the said concepts and principles. Towards the end, the chapter relates Islamic economics to the present time, quoting two examples of consumption and debt. According to the authors, moderation in consumption and saving is what Islam advocates. This chapter set the stage for the discussion of the Four Rightly-Guided Caliphates in the following chapter.

Chapter Three continues with the economic thoughts of the Rightly Guided Caliphs (632 A.C.-661 A.C.). This chapter is fairly short totalling 33 pages (pp. 92-125). According to the authors, this period marks the birth of coherent body of Islamic thinking and the renowned Four School of Thoughts. This is due to the socio-economic changes surrounding the people and the environment that either didn’t exist during the time of the Prophet or existed but no at the same scale (p. 92). The first Caliph Abu Bakar (632-634), despite his short caliphate, was not innovative but strictly observed the tenets of Islam. Under his caliphate, zakah obtained its main tax characteristics. The second caliph was Umar (634-644), who is one of the most distinguished leaders in Islamic history. The authors classify Umar’s economic thought into several categories namely: ownership of economic resources, economic development, wealth distribution, tax structure, state expenditure and state administration. One of Caliph Umar’s notable contributions is the introduction of state registration – a detailed register of the main source of state finance. Unfortunately, Caliph Umar was assassinated by a Christian Persian slave. His caliphate lasted ten years. He was succeeded by the third Caliph, Uthman (644-656). In his early seventies, Caliph Uthman’s main contribution was perhaps in completing the compilation of the Quran and in furthering Islamic expansion (p.117). The authors conclude that Uthman generally favours privatisation as opposed to Umar whom is more supportive of the economic role for the state (p.119). Caliph Uthman’s reign ended when he was assassinated in 656 A.C. Caliph Ali succeeded Uthman and was in power for five years (656-661). Ali was instrumental in tackling economic issues and anticipated economic ideas that benefited the *ummah* during later years (p.125). His economic thought was summarised in a comprehensive document based on the instructions to his Governor of Egypt, Malik al-Ashtar (p.121). The four main issues in his general

Guidance are the moral issue, justice, peace and security and just distribution of economic resources (p. 122). These four issues, according to Caliph Ali, should be integrated to achieve prosperity in the community. Economic development, in general, to all four caliphs, was not only an increase in national income, but equitable distribution of income as well. The authors observed the similar concept of Pareto's concept of efficient distribution to Caliph Ali's idea, observing that ...” *To him, the optimally just distribution of income in the process of economic development was the one in which the increase in an individual's wealth was not accompanied by a decrease in another's* (p. 125). Sadly, Caliph Ali was assassinated by a Muslim. Chapter Three is perhaps the most interesting and colourful historical picture of the four caliphs. The way the story was told resembles a story book, with an apt explanation of the economic thoughts and keen observation of the characterizes of each Caliph and their connection with the Prophet which shape and characterizes their leadership style and economic innovations that they introduced during their reign. The next chapter continues with the same rigour and style for the Umayyads period.

Chapter 4 entitled “ The Dynastic Caliphates The Umayyads and the Reforms (661 A.C.-750 A.C.)”. The first paragraph in the introduction of the chapter suggests four reasons why this period is memorable. First, the change of Islamic caliphate to dynasties. Second, the move towards Islamic urbanisation on a large scale. Third, an expansion of Islamic political borders that lead to an increase in trade and finally, the Islamic state reformed the monetary policy and modernized the administrative system (p. 126). The rest of the chapter further elaborates the strength of each period.

Chapter Five continues with the focus on specialise Islamic economics, entitled “The Abbasid's Golden Age: The Florescence of Islamic Economics (750 A. C. – 1000A.C.)”- pages 154-221. This is probably the central theme of the book, covering the period of mid-eight to the late tenth century. The introduction summarizes five most notable achievement of the period under Abbasid's dynasty. Abu Yusuf's Kitab al-Kharaj was given considerable attention because it was the first book written in Islamic economics, according to the authors. The book covers comprehensive areas in state finance and public administration. From the macro perspective, the source of references is the work of Al- Shaibani, Kitab al-Iktisab (Book of Earnings). The book also deals with microeconomic issues such as consumption, production, value and distribution. The next book discussed is Kital a-Amwal – the Book of Wealth written by Abu Ubaid- which, according to the authors, ‘can be regarded as a text on macroeconomics.’ The authors also include a useful summary of the legal forms of Islamic business in Figure 4.1 (p. 154).

The book continues with Chapter Six: Political Fragmentation and Cultural Diversity (1000 A.C. – 1400 A.C.) This chapter examines why for the period of more than one century, there was a complete absence of writing in Islamic economics (p. 222). The authors put forth three suggestions: (1) the decline in the political power of the caliphate; (2) the devotion of Muslim thinkers on other areas of intellectual civility, particularly philosophy; and (3) the differences in the school of religious thought and

ideology. Particularly interesting is the observation on the collapse and restoration of the Caliphate. The authors discuss and elaborate on the issues from the historical perspectives until the more recent period. According to the authors, another factor that should be considered is the differences in the school of religious thoughts that lead to conflicting ideas and directions. This chapter is quite extensive, totaling approximately 61 pages (pp. 222-283). There are also brief summary of the writings of al-Ghazali, ibn Khaldun and ibn Taymiyyah. The chapter ends with a note on Ibn Khaldun's observation on trade and his comprehensive list of sciences.

Chapter Seven covers the period 1400 A.C.-1800 A.C. titled "The Tree Empires and the Islamic Phoenix." The chapter discusses the Ottoman Empire, the Safawid Empire and the Mongol Empire. It is an interesting reading for those who are not exposed to Islamic Studies subject. These three empires dominated the political scene in the Islamic world. Each period examined in term of the socio-economic conditions, features of intellectual development and the influence on the development of Islamic economics. The fall of the first empire, Ottoman empire, was attributed to several reasons, among them are economic decay, the discovery of Cape Hope and Western influences. The Safawid era began in 1502 until 1736 and contributed by generating scholars and *ulama* through *madrasah* whose views shaped the thinking of their people until present day. The book *Iqtisaduna* (our Economics), that contributed much to the Islamic economics, by Muhammad Baqir al-Sadr was written in the late nineteen sixties under the Safawid ruling. The persecution of the Sunnis in the Safawid dynasty and the hospitality of the ruler lead to the establishment of the Moghul Empire. The initial founder of the Moghul empire was Babur, a Sunni fugitive who fled to Afghan Kabul during the time of turmoil. During this time, a prominent intellectual figure of Indian Muslim Abd lal-Rahman, known as Shah Wali-Allah, came with his *Hujjah Allah al-Baligha* – a work in socio-economic and government governance. He criticizes the economic injustice in the form of heavy taxes on the poor, suggested global integration and Muslim unity instead. He was particularly concerned with security and stability and fairness at both the individual, societal and international level. He seemed to uphold the basic principles of societal security and to opt for peace and tranquility to avoid political and economic mishaps.

The following subsequent chapter, Chapter Eight, covers the period 1800 A.C. to 20<sup>th</sup> Century (pp.315-347). It was titled "The Crisis of Modernisation and Islamization: From Reform to Revival." This is the period that preceded the resurgence of Islamic economics in the 20<sup>th</sup> century. The period is divided into three main categories: traditional movements, reconciling movements and secularized movements. The authors describe each movement as follow. The traditional movement called for the return to the Quran and Sunnah in a strict manner. The second movement reaffirmed the need to refer to Islamic prime sources while at the same time accepting Westerns culture and knowledge if it benefits the *ummah*. However, the third movement maintained that secularization is the way forward to modernization. The chapter continues with representatives examples of each movement. The traditional movement include the *Wahabbiyah* in the Kingdoms of Saudi Arabia, the *Idrisi* in

Morocco, the *Sanusiyyah* in eastern Libya and the *Mahdiyyah* movement in Sudan. The Reconciling movement, upon discovering that Muslims were lagging behind the Western scientifically, politically and culturally, attempted to lessen the gap. The two main stream under Reconciling movement came from Egypt and the Indian subcontinent. The Western occupation had impacted the *ummah* in two ways: first, resentment toward Western power; and second, expectation for the *ulama* to lead the *ummah*. In Egypt, Muhammad Abou and Jamal al-Din al-Afghani were the *ulama* leaders. According to Abdou, knowledge in Islam should include other branches of knowledge and modern sciences. Notably, al-Azhar university until the late 1950s and early 1960s only taught religious studies subjects, but from the 1960s onward further subjects were introduced such as medicine, science, law, economics and business studies (p.323). Reformers from the Indian Subcontinent included Muhammad Iqbal and Abu ala al-Maudidi. On the other hand, some leaders in the Secularisation Reform movement perceived secularization as essential for modernization. Due to the reform and the huge support from the masses to what is termed Islamic revivalism, two main developments pertaining to economics occurred: numerous literature on Islamic economics and the establishment of Islamic banks. The main features of the Islamic revivalism are as follows: the adoption if Islamic practices by the masses, the establishment and re-emergence of Islamic religio-social organizations, the establishment of Organization of Islamic Conference (OIC), the establishment of Islamic Development Bank (IDB) in 1975, the First International Conference on Islamic Economics in 1976 in Makkah whereby the subject of Islamic economics gained prominence nationally and internationally, the establishment of specialized institutes in Islamic Economics and Islamic thought such as ICRIE, IRTI, IIIT, the Islamic Foundation, United Kingdom, IIUM and the tendency toward Islamization of economic system in some Muslim countries, the establishment of Islamic financial institutions and many other landmarks (pp.329-347). This chapter is a must read chapter for those who want to know the early development in Islamic economics and the establishment of important Islamic institutions.

Chapter Nine continues with the development of Islamic economics in the 20<sup>th</sup> century (pp. 349-407) titled “Islamic Economic Renaissance: Islamic Economics in the Twentieth Century.” This is expected to be the focal point of the book, since it will presumably highlight the current development as well as the future direction of Islamic economics. The chapter started by discussing five influencing roles that started the development of the works in the area namely: the personal factor, sponsoring institutions and organisations, religious societies, Muslim students associations and dedicated publishing houses. Under the dedicated publishing houses, the authors list the early topics covered, revolving around social justice and Islamic social solidarity at the beginning followed by *zakah* and *riba*, the charge of earning and interest seemed to be popular themes at least up to the 3<sup>rd</sup> quarter of the 20<sup>th</sup> century. The following topics are major examples of writings on Islamic economics in the 20<sup>th</sup> century, which was a lengthy discussion (pp. 355-392). The topics covered are: *zakah* and taxation, abolition of *riba*, Interest-free banking, monetary policies, fiscal policy and resource allocation, Islamic economic theory, ethics and economics,

consumer behaviour, insurance, economic cooperation among Muslim countries, indexation and economic development. The authors also point out that the 20<sup>th</sup> century “*is marked with an abundance of writings on Islamic economics*” (p. 349) Islamic economics grow in different shades, referred to as either “an Islamic Approach”, “an Islamic economic system” or as an economic issue “from an Islamic perspective.”

Included also in Chapter Nine is a seven-page commentary (pp.392-399) on *Iqtisaduna* (Our Economics), the book written by a Shi’I scholar Baqir al-Sadr. *Iqtisaduna* was the follow up to the first edition of *Falsafatuna* (Our Philosophy) by Sadr. The authors cited seven reasons why the book was examined at length. Particularly interesting was the fact that Sadr’s work was based on his own thinking with little influence from the Western culture with relative to his contemporaries (p.393). The authors acknowledged Sadr by saying that “*What differentiate writers, however, are the depth of analysis, the objectivity of criticism, and their knowledge of the subject. And in that al-Sadr is not demonstrating any deficiency*” (p.393) The book provides an objective analytical study of Marxism, Capitalism and Islamic economics by looking into the systems, conceptual principles and the details of their application (p.393). Sadr’s central theme was economic development, specifically to ‘*compare and evaluate the viability of socialist and capitalist as compared with Islamic economics.*’

The last section of Chapter Nine is dedicated to the sub-topic topic of “The Future of Islamic Economics”; unfortunately, the discussion covers a mere eight pages (pp.399-407). The authors suggest in order to link the present to the future, three areas need to be emphasized: first, the conceptual side derived from Shariah sources; second, present applications of Islamic economics to Islamic banking, state finance and global economic connections; and third, more empirical evidence and field studies in the area of Islamic economics. The author also cite some contemporary problems that need to be addressed, for examples, lack of standardization of the services provided, the dual banking system and the need to depart from LIBOR benchmark in trade financing, among others. The chapter ended by highlighting the success of Islamic financial movement and tremendous progress in the writings of Islamic economics literature. Whether or not Islamic economics will survive in the year to come depends on a numbers of conditions, including the degree of adherence to Islamic norms and ideals, the politically strong Islamic state, and the adaptability of Islam to new changes, in which the authors further elaborate on page 405. The authors note that “*The importance of adaptability of the Shariah from within to external economic conditions cannot be overemphasized*” (p.407)

In short, the book is well-written, informative and interesting. Efforts should be made to translate this book into Malay Language to reach bigger audience. In addition, those who are interested in the subject of Islamic Economics should be made aware of the First International Conference on Islamic Economics that took place in Makkah in 1976 (p.338) and what transpired afterwards, which was discussed on pages 329-347.

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One of which includes the setting up of the International Islamic University of Malaysia (IIUM) in 1983, alongside the setting-up of Bank Islam Malaysia Berhad (BIMB), also in 1983. There are also a few other international Islamic universities established in Pakistan, India, Egypt and African nations. These are historical events that spearhead Islamic economics to date.

Henceforth, the book is recommended for those who do not have background in Islamic economics yet keen to learn the subject. The highly recommended chapters are Chapter Eight and Nine, which highlight important historical events in Islamic economics. There is also a succinct summary of *Iqtisaduna* – which would hopefully inspire young scholars to get a copy of the book. A few chapters could also be assigned to postgraduate students studying Islamic Economics subject especially Chapter Two, Chapter Six, Chapter Eight and Chapter Nine. These chapters provide an overview of how Islamic economics evolve from its early stages until the recent period. Critical-minded students would be able to appraise the historical context and applied it to the present state of the *ummah*.

The book discusses the development of Muslim economics thoughts and covers extensive areas. However, the last two chapters lack the insight and thoughtfulness of the earlier few chapters. It mainly reports facts without the refreshing comments and detailed historical anecdotes one gained from reading the first seven chapters. Maybe it is because the achievement and the strength of the Islamic golden era, particularly during the rulings of the Four Rightly Guided caliphates in the Muslim communities, are well documented and are easily sourced from the Arabic texts. It is the challenges of Islamic economics after 1980s onwards that require in-depth critical analysis but somehow lacking in the book. In addition, the discussion on financial economics and Islamic banking and finance is quite brief with no mentioned of the recent trillion dollar sukuk, or Islamic bond, industry. Maybe the authors could add a few chapters on the said areas in the revised edition.

The review end with another look at the first sentence of the preface with the hope that by mainstreaming Islamic economics and Islamic finance, these two areas will become the twin engine of growth. With that note, the first sentence from the preface is quoted below for the readers to ponder:

*“Comparing the often sorry reality of the present day Islamic World with the Islamic World of yesterday with its many achievements, when Muslim governments were powerful and setbacks less disastrous, provides us, with the benefit of hindsight, rich empirical evidence and lessons to derive conclusions from...”* (p.xi)

Indeed, the hindsight are plenty, the lessons are powerful. Perhaps it is time to rewrite the preface by highlighting the achievement of modern day Islamic economics, particularly in the area of financial economics and Islamic banking and finance. It is not a matter of whether the glass is half-full or half-empty. Rather, in the words of the

Authors, Islamic economics should be “...received with examining mind and an inquisitive attitude...” Perhaps the approach is *wasatiyah*.