

Islamization of Economy in Pakistan (1977–88): An Essay on the Relationship between Religion and Economics

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I. INTRODUCTION

The Martial Law regime which came into power in Pakistan on July 5, 1977 after a political crisis undertook a comprehensive scheme of Islamizing the political, legal, economic and educational areas of the Pakistani society. Ordinances and Laws on *Zakat* (poor-due), *Ushr* (tithe), elimination of *riba* (interest/usury), profit and loss scheme, *mudaraba* (profit-sharing), and twelve modes of Islamic finance, were promulgated with the avowed aim of transforming the Pakistani economy into an Islamic economic system.

In this article we shall confine ourselves to an examination of the Islamization of the economy only; that is, the article shall focus on the relationship between religion and economics in general, and Islam and economics in particular.

Since the times of Adam Smith (1720–1790), and especially after the works of Lionel Robbins (1898–1984) the modern economy is generally taken by the economists as an autonomous economic system and modern economics, an important branch of the social sciences, has gradually become independent from religion. In both capitalist and socialist versions, economics is generally defined as the “study of the social laws governing production and distribution of the material means of satisfying human needs” [Lange (1963)].

Why did then the regime, it may be asked, resort to Islamization of the Pakistani economy and fuse religion with economics? What were the general hypotheses, premises, concepts and methodologies underlying this policy? What were the consequences of this policy for the economy as a whole? Does Islam

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provide a basis for an economic system? Is Islam a religion, a matter of personal faith and belief of an individual? We shall raise these questions and try to answer them.

The scheme of Islamization (of the economy) was mainly based on the following hypotheses of the 'Islamic' economists: first, that Islam is not only a religion but it also provides an economic system; second, that the discipline of 'Islamic' economics is based on the norms, values, and traditions of the Islamic religion and hence it is distinguishable from the modern secular science of economics [Ahmad (1981), p. xiv].

The process of Islamization was initiated under the impression that the application of the concepts like *zakat*, *ushr*, the twelve modes of Islamic finance, and *mudaraba*, in the economy and elimination of *riba* from the banking system would transform it into an Islamic economy. As we shall see in this article, all these assumptions and hypotheses are fallacious and misleading. Islam is a religion which is chiefly characterized as a relation between man and God; it is not an economic system. The fusion of religion and economics, as we shall see, has led to utter confusion, misperception, misconceptions and misinterpretation about the roles of religion and economics and about the nature of their relationship in a modern society and economy.¹

II. RELIGION AND ECONOMICS

Are religion and economics two separate and autonomous social realms? Does religion determine and dominate economics, or is it a part of the ideological superstructure which rises on the economic base of a society? The answer to these questions primarily depends on the way religion and economics are defined and interpreted.

Religion is generally defined as the subject which studies the relationship or bond which binds (*religat*) man to God. In the modern times, particularly in the West, religion is nothing more than a mere department of the social order

¹For purposes of clarification, a few remarks are called for to avoid misunderstanding of this paper:

1. The paper does not deny the contribution of any religion towards the formation of people's ethical norms, moral values and traditions, behavioural patterns, laws and ideals;
2. The holy Qur'an was divinely revealed to the Prophet: it is the Word of God. The Fiqh (Islamic Jurisprudence), on the other hand, is the product of the intellectual-speculative activity of the Muslim jurists in their interpretation and application of the Qur'an and Sunnah (the normative behaviour of the Prophet) on the concrete social and economic conditions and structures of their societies; and
3. In this paper the relationship between modern economics and ethics is not discussed. This is a vast subject which is beyond the scope of this paper.

and is more a determinant influence it once was. [Eliade (1987), Vol. 13, p. 160.]

Economics is a branch of the larger science of social relations studied in separation from others and is mainly concerned with the social aspect – as distinct from the special technical aspect – “of such human activities as are directed towards the production, appropriation, and application of the material means of satisfying human desires, so far as such means are capable of being exchanged”. [Sidgwick (1987), pp. 58-59.]

Only during the last two hundred years when large-scale capitalist industry, and capitalist socio-economic relations, structures and categories developed, commerce and trade in commodities flourished, and distinct classes of industrialists, entrepreneurs, businessmen, traders, financiers and wage-labourers emerged, the concept of an economy in the sense of an autonomous realm has crystalized, and the subject which started studying this economic phenomenon has come to be known as political economy or economics. These concepts of an autonomous economy and economics as a social science gradually separated from religion and theology. During the pre-capitalist Medieval Ages under feudalism, religion and theology were intertwined with philosophy, economics, law, politics and ethics. [Eliade (1987), Vol. 5, p. 1.]

Before examining the relationship between Islamic religion and economics, it is pertinent to define clearly the term Islam in its origins as a reform movement and in its historical development during the medieval feudal period as a legalistic ritual.

Islam is a theological term which literally means surrender or submission of human will to the Divine will and plan.² As a socio-religious reform movement it originated in the pre-feudal tribal society of the Hijaz, Arabia, in the early decades of the seventh century A. D. against acute socio-economic inequality, religious decadence and moral degeneration. As enunciated in the Qur'an Islam broadly connotes the way of life (*din, millah*) of the values and ideals of truth, goodness, equality, justice, fraternity and freedom.³

In his social role of transforming a tribal society into a cohesive community, the Prophet Muhammad (A. D. 570–632) tried to found a fraternity of equal and free human beings based on these moral values. These values and norms of good life were all cast in the religious/theological mould, the chief trait of the

²Qur'an, 2 : 112, 128, 131–133; 3 : 19–20, 67, 83–85, 102; 6 : 14, 71, 162–163; 39 : 11–12; 46 : 15.

³Qur'an, 2 : 256; 3 : 17–20, 83–92; 4 : 125–127; 12 : 37–40; 109 : 6.

age when all social, economics, religious, legal, moral and political problems were inextricably bound with each other.

Subsequent to the demise of the Prophet, and after the territorial expansions of Islam into neighbouring empires of agrarian feudalism when the cohesive Muslim community stratified into numerous groups, sects and schisms, the broad values and norms (equality, freedom and justice) under the hierarchical socio-economic conditions of feudalism were rendered ineffective by legalistic rituals. These rituals gave a superficial gloss of social unity and solidarity to a stratified community. During the medieval period Islam became a religion like other religions – a sum total and an assortment of outward and legalistic rituals and performances. On the socio-economic plane society was stratified into masters and slaves, lords serfs, kings and their subjects. Throughout the Medieval Ages these lords and kings resorted to their divine right to rule over the dominated classes.

Almost all the religions which originated as social reform movements led by a Prophet, Christianity and Islam in particular, came to acquire during the medieval times the concept of dual worlds: the other-worldly/supernatural realm and this-worldly/natural realm. The former is thought to be real, immortal and eternal while the latter is unreal, material, mortal and fleeting.⁴ According to this religious conception the moral values are the ultimate laws or rules which are necessarily cognate with the supernatural world and which emanate from the All-Powerful, Transcendent, and Infinite Being. These ultimate values therefore must determine, dominate and guide the this-worldly, natural or material realm. In other words, this religious conception implies that the reality of human existence must not be viewed as reality of material things only. The higher moral values and ideals which emanate from the Supreme Being are more important: They give meaning to human existence; they teach why and how to live.

When the capitalist forces and methods of production and technology triumphed over the ascendancy of the church, static feudalism and its religious-medieval mentality and approach of perceiving reality in religious terms during the 17th and 18th centuries and onwards, market economy replaced the barter trade and its natural economy. Capitalism was based on the production of commodities for exchange. In this process of universal commodification in the context of a world capitalist system human labour also became a commodity. This market materialism subjected religious idealism to its own domain, by reversing the

⁴Qur'an, 3 : 14; 6 : 32; 18 : 45; 29 : 64; 57 : 20.

relationship of this-worldly and other-worldly realms, materially ascertainable economy and undeterminable idealistic world of religious values and norms.

On the religious plane this capitalistic-economic development led to the reformation of Christianity (Roman Catholic Orthodoxy) in the West. Reformed Christianity compromised with the new categories of the capitalist economic system. Profit-motive, charging of interest on loanable money-capital, money economy, transformation of human labour into a commodity, search for markets, were all legitimized as rational principles.

According to [Weber (1958), p. 154] reformed Christianity discarded rituals, magic and superstition and acquired the spirit (*ethos*) of a rigorous work discipline, asceticism, hardwork and parsimony which gave impetus to the growth of the modern capitalist economy, rational ethics, mathematical calculation, and scientific attitude of mind in Western Europe and North America. This became possible only when the debilitating tension between this-worldly materialism and other-worldly idealism, between religious rituals and ultimate values, was dissolved for release of human energy for action and for productive economic processes. Reformation justified worldly economic activity for profit and industrialization of traditional/agrarian economy as religious and holy. Christian asceticism, says [Weber (1958), p. 154] "now strode into the market place of life, slammed the door of the monastery behind it". Thus shorn of rituals, magic and superstition, reformed Christianity began to work out its ideals in the material world, in the market place, in the field and in the factory.

In the case of Muslim societies of Asia and Africa during this period no such religious reformation in the capitalistic socio-economic sense took place, and therefore religious rituals in the environment of semi-feudal conditions have regidified like fossils and have come to acquire more importance than the ultimate higher values (of equality, freedom, justice and fraternity) thus obliterating all distinctions of good and evil, right and wrong, true and false. The colonialization of the Muslim societies by western capitalism and their integration into the world capitalist system further exacerbated these socio-moral tensions. The capitalist mode of production was superimposed on the semi-feudal socio-economic formation. Gradually the Muslim society became economically dependent on the global capitalist system and its market materialism.

As we saw earlier, according to the pre-capitalist medieval religious conception human existence had to be based on higher moral values, but market materialism of burgeoning capitalism made modern economy autonomous, independent and amoral. Based on the movements of reformed religion and Renais-

sance, the philosophers of the Enlightenment began to postulate that religion and morality were separate phenomena. They thought that the norms governing human conduct, morality and ethics were separable from matters of religious belief.

Immanuel Kant [1724–1804] in his philosophical writings made efforts to rationalize the capitalist market materialism through his concepts of the dual worlds of noumenon (things in themselves; the world of faith, belief, spirit, intuition etc.) and phenomenon (the material world of facts, appearances). [Kant (1952), p. 361.]⁵ For him, the former is the world of spirit, essence, ideals and morals, and the latter is the world of material or economic reality. In his re-interpretation of the medieval conception of a dual world, he tried to retain the ultimate moral values in the form of categorical imperative, ethics and conscience as the ultimate moral law based on pure reason. Religion was thus to be based only on reason. These had to exist alongside the capitalist market economy without affecting the economy's autonomy. In this way, Kant's philosophy legitimized the market economy, its commodification, and profit-maximization. Kant's dualism reflects the separation of Church (religion) from state, and morality from economy. Kant can thus be interpreted as a philosopher of the modern bourgeoisie and bourgeois society. [Russell (1985), p. 579.]

After Kant, the German idealist philosophy integrated Kant's two worlds (world of the spirit and world of facts) into one. Unlike the medieval conception of this-worldly and other-worldly realism, Kant made the transcendent world of the mind or spirit as the basis of moral life. But the post-Kantian idealist philosophy contended for total autonomy of human reason as indistinguishable from the immanent God, and two-in-one came to be called by Hegel (1770-1831) as the Absolute Spirit. This idealism, says Seung, "made it impossible to retain Kant's postulates of immortality [of soul] and the other-world because there was only one world left". [Eliade (1987), Vol. 8, p. 252.]

The economic philosophy of the classical economists, such as Adam Smith following the tenets of the Enlightenment, was based on this legitimization of a materialist, capitalist market economy, and separation of religion (church) from economy. Their concepts of autonomous natural order of things, natural liberty, natural harmony and equilibrium formed part of a larger process in which human beings became enlightened to think for themselves about morality, religion,

⁵ "Two things fill the mind with ever new and increasing admiration and awe, the oftener and the more steadily we reflect on them: The starry heavens above and the moral law within". [Kant (1952), p. 361.]

economics and politics against the dictates of Church and feudal obscurantism. Adam Smith was of the view that the medieval Church was a force against human liberty and reason. [Smith (1937), p. 754.] The separation of Church from state logically led to the separation of capitalist economy from religion.

Karl Marx (1818–1883) who interpreted capitalism as a mode of production and as a social relationship between various social classes, criticized German idealist philosophy, and Hegel in particular who maintained that history was determined by intellectual, spiritual and religious ideas. Marx, in analysing the origin and development of capitalism, concluded that the forces of production (modes, machines, technology, science) and social relations of production (economic systems, property relations, laws, religion, philosophy) correspond to each other. The productive forces and methods of production form the material and economic base of any society (feudal, capitalist) and religion and ideology of this society form the superstructure which rises on this base. [Marx (1970), pp. 20-21.] “The mode of production”, says Marx, “determines the character of the social, political, and intellectual life generally”. (1974, 86). For Marx the dialectical process of socio-economic transformations, ultimate values and meaning of human life and existence are not derived from undeterminable spirit, essence, moral value or ideal but from the ascertainable logic of economic relations, classes and forces which propel and transform one socio-economic formation to another.

Our discussion so far shows that under capitalism and socialism religion has become separate from economics and politics since both these socio-economic formations have discarded medievalistic religious idealism. Religion is now a matter of personal faith and belief. Similarly, modern economy, capitalist or socialist, has become autonomous and independent from religion.

But how to explain the fusion of religion and economics in Pakistan when modern economy has become autonomous? In a class society every ruling class which is in control of the means of production is in need of an ideology to justify and perpetuate its rule over the dominated classes. This dominant class interprets religion in such a way as to promote and protects its interests. It appears that the ruling elites of Pakistan politically use Islamic religion to protect their privileges, powers and interests. However, instead of reforming religion and discarding rituals and superstition, the ruling elites erroneously use Islamic religion to maintain the *status-quo* of semi-feudalism and neo-colonial socio-economic relations. They interpret Islam in terms of ritualistic religion of the medieval type. They even legitimize outmoded pre-Islamic institutions like *mudaraba* (profit-sharing), and interpret *riba* sometimes as interest and sometimes as usury.

They take these rituals and obsolescent institutions as ultimate values. Let us now see how the 'Islamic' economists build, explain and justify 'Islamic economics'.

III. THE CONCEPT OF ISLAMIC ECONOMICS

The central methodological concept on which the Islamization of the Pakistani economy rests is the discipline of Islamic economics. Islamic economics combines two terms: Islamic religion and economics. As we have already explained, Islam is a religion which deals with the matters of faith and belief, the relationship between man and God, whereas modern economics is a social science.

The subject-matter of Islamic economics as revealed in the literature published so far, [Khan (1984); Siddiqui (1978)] relates in general to medieval/feudalist and metaphysical notions, vague ideas, and to the medieval socio-economic problems discussed by Muslim Jurists (*Fuqaha*) of medieval times, like prohibition of *riba* (in a barter economy), *zakat*, *ushr*, *mudaraba* etc. the problems which were the products of a pre-capitalist feudal society.

The Qur'an which was revealed in a pre-capitalist tribal society does not contain any idea of an autonomous economy or economic system in the modern sense. As theological, religious, legal, moral and economic problems were intertwined, the major theme which runs through the verses of the Qur'an is commutative justice, or just transactions, because in a barter system, like that of pre-capitalist Arabia the crucial problem is a just exchange of equivalent values for equivalent values. [Haque (1985).] Therefore, emphasis was laid on just exchange, just wage and just price.⁶

Because of the ambiguity of their subject-matter, and the abstract and vague nature of norms and values Islamic economists differ as to the exact definition and nature of their discipline. [Abdul Mannan (1986), p. 18] defines Islamic economics as a "social science which studies the economic problems of a people imbued with the values of Islam". For [Hasanuz Zaman (1984), p. 52] "Islamic economics is the knowledge and application of injunctions and rules of the *Shariah* that prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society". For [Akram Khan (1984), p. 55], Islamic economics "aims at the study of human *falah* achieved by organizing the resources of earth on the basis of cooperation and participation". According to [Arif (1985), pp. 87-103], these definitions of Islamic economics are incomplete and he defines

⁶Qur'an, 4 : 58; 7 : 29; 16 : 90, 57 : 25; 83 : 1-3; 68 : 17-33.

it as: "the study of Muslim's behaviour who organizes the resources which are a trust, to achieve *falah*".

[Laliwala (1989), pp. 129–131] thinks that all these definitions are not convincing. He rightly holds that any Islamic definition of economics should not be separate from the general definition of economics, since economics is not a normative science like logic, ethics or aesthetics, but a positive social science. "Its function is not to discover the truth of norms, but to describe and explain economic reality".

These definitions in general take for granted that Islamic economics is based on certain norms of behaviour or values derived from the early Islamic society of seventh century Arabia. These norms and values relate to a pre-feudal tribal society and not to a complex industrial society of modern times. [Weber (1968), p. 85] has shown in his studies that with the growth of Western capitalism the ambiguous substantive rationality (norms, values) has been replaced by quantitatively ascertainable formal rationality (profit, interest, wages etc.).

IV. ISLAMIZATION OF THE ECONOMY

The 'Islamic' economists without differentiating legalistic rituals from ultimate values conceive and formulate the concepts of *zakat*, *ushr*, *mudaraba* and *riba* prohibition as eternal legalistic rules and rigid rituals [Haque (1985), pp. 140-141, 212, 213, 216]. They are not intended to change the semifeudal economic structures and relationships but rather they are interpreted to preserve the *status-quo* of feudalism.

In a recent study of Islamization in Pakistan, Jamal S. Malik (1989) explains the phenomenon of Islamization from (1977 to 1984) as a deliberate and planned political scheme of the ruling elites to integrate the traditional (semi-feudal and rural) sector into the capitalist world market aiming at transforming the semi-feudal sector into a modern capitalist industrial economy. His main thesis is that this political process of Islamization was in reality a process of decomposition and disintegration of the autochthonous or primitive social and economic structures in Pakistan's traditional (tribal, rural and semi-feudal) socio-economic formation. This faulty hypothesis of Malik leads him to give wrong interpretation of the relation between religion and economy (and society) in Pakistan.

The transformation of a traditional/agrarian and semi-feudal social and economic structure into a capitalist economy necessarily proceeds through industrialization, economic growth, science and rational ethics as it happened in Western Europe and North America when rituals, magic and superstition were

replaced by rationalism and a scientific attitude of mind, when Orthodox Christianity was reformed and state structures and economy were gradually separated from religion.

[Naqvi (1981), pp. 145-146] gives a reformist interpretation of the process of Islamization of the economy in terms of a 'transition' period from non-Islamic to an Islamic economy preferring an evolutionary approach to any social and economic change. He takes for granted the interpretation of Islam as a ritualistic-legalistic religion, thus equating religious rituals with religious ethics. The religious ethics which Weber assumed to be the motivating forces and relevant for a progressive economy were, work discipline, honesty, asceticism, hardwork, parsimony, rationality and pluralistic polity which gave rise to rational ethics in place of rigid rituals and superstitions in Western society. Naqvi's fundamental axioms: unity, equilibrium, free will and responsibility are metaphysical and not ethical in the Weberian sense (1981), pp. 18-19 and 45-47.

V. CONCLUSION

Islam, literally human surrender to God's will and plan, originated a social reform movement in the tribal society of the Hijaz, Arabia in the early seventh century. It connotes the higher values of goodness, justice, equality, freedom and fraternity. During medieval times under the social hierarchy of feudalism it developed as a rigid ritual when the religious conception of the dual world, this-worldly and other-worldly realms prevailed. Other-worldly or supernatural realm of spirit, essence and ultimate values dominated the this-worldly realm of natural and material things. The materialist market economy of modern capitalism which emerged during the last four centuries gradually led, first, to the dominance of material and economic reality over the religious idealism of medieval times; and secondly, to a reformed religion in the West which separated religion from state structures and (religious) morality from the capitalist economy. This separation of religion from economy has been justified by modern philosophy and economics and rationalized by the capitalist, socialist (and welfare) economic models and methodologies.

As there was no movement of Renaissance, reformation of religion and enlightenment in the contemporary Muslim societies, the debilitating tension between rituals and ultimate values has persisted. The political scheme of Islamization of the Pakistani economy (1977-88) by the ruling elites of capitalists, feudal lords, and bureaucrats (both civil and military), interpreted Islam as a legalistic ritual and legitimized the medieval socio-religious concepts and institutions of

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world capitalism. A great deal of credit for the shaping of this model can be claimed by the Harvard University economists and other sundry theoreticians termed "intellectual terrorists" in the inaugural address of this conference. It is the failings of this model, now a matter of common knowledge, that Islamic economists presumably intend to overcome by throwing it out of the window. However, as Dr Ziaul Haque points out they have nothing to replace it with, except a bundle of legalistic rituals retrieved from the medieval history of Islam when such performances had superceded the ultimate values of the religion: goodness, justice, freedom and equality. This is at least the experience of the eleven years of the Islamization exercise undertaken in Pakistan.

If there is anything more to the project of Islamization, it is not clear from the authoritative writings, on the subject. Dr Ziaul Haque offers some insights from the perspective of sociology of power which this discussant is not in a position to challenge. One will have to await for a response from the right quarters.

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