

The Nature and Significance of the Medieval and Modern Interpretations of *Riba*

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1. INTRODUCTION

The present socio-economic formation in the urban, rural and tribal areas of Pakistan is in transition from its semi-feudal phase to an urbanised and industrialised economy and society. In this transformation to an industrialised market economy, industrial capital and the new classes of entrepreneurs, financiers, industrialists, businessmen and wage-labourers play crucial roles in the overall production process.¹ However, in the rural and tribal areas of Pakistan the old feudal classes still dominate and tenaciously cling to pre-capitalist modes of production and to the old ways and methods characteristic of superstitious and irrational ideas, beliefs and practices which tend to block social change and which do not correspond to the industrial and scientific culture of modern industrialised societies.

The Quranic term *riba*² has been defined and interpreted in various ways during the medieval and modern times. In the pre-capitalist medieval times capital generally existed in the two old forms of merchant and usury capital. Industrial capital (machinery, tools, equipment, inventory) in the modern sense did not exist in early medieval times. Nor did the concept of a modern, roundabout production process, a process in time, had yet emerged. In the modern capitalist epoch the main engine of growth has been the rapid technical progress with capital formation to increase production. Capital in this sense did not exist in the medieval agrarian society.

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Author's Note: The paper mainly draws on author's study: *Islam and Feudalism: The Economics of Riba, Interest and Profit*. (Lahore: Vanguard Books, 1985) and incorporates developments in the post 1985 period. A preliminary version of the Paper entitled "Some Interpretations of *Riba*: Medieval and Modern", was presented at the Pakistan Forum, Islamabad on June 18, 1992. The author is grateful to Dr Aqdas Ali Kazmi for his valuable comments.

¹"The problem why capital earns its owner an income", says K. H. Hennings, "depends as much on the social institution of ownership and the institutional organisation of production as on the role capital plays in production". ["Capital as a factor of production", in *The New Palgrave's Dictionary of Economics*, Vol. 1, p. 327].

²Quran, 2:275-280; 3:130; 4:161 and 30:39. For the literal/legal meanings and definition of *riba* in the Quran, *Hadith* and *Fiqh*, see [Haque (1985), pp. 12-23].

The modern controversy over the definition and interpretation of *riba* in Pakistan (whether it is interest, usury or unearned income), to a large extent, reflects the continuing struggle between the old forces and classes of semi-feudalism and the new classes and factors generated by industrial capitalism in Pakistan and other Muslim countries. Since new and old modes of production—capitalist, industrial, feudal, tribal, and rural—are co-existing and even overlapping each other in these societies, new social classes, new industrial processes, innovations, new ideologies, new thought patterns and new modes of perceiving social reality, are battling the old semi-feudal classes and their old ideas.

In order to correctly understand the problem of *riba* in its various contexts originating from the (pre)feudal tribal society of the Hijaz³ to the modern capitalist society, the paper divides various interpretations of *riba* into two broad categories, medieval and modern, depending not only on the variable nature of capital in feudal and capitalist times as a factor of production, but also on the changing traits and characteristics of lenders and borrowers of capital as distinct social classes in all epochs. This paper is therefore a modest attempt to enquire into the socio-economic background, antecedents, causes and *raison d'être* under which certain definitions and interpretations of *riba* were advanced by contemporary social classes and groups, both medieval and modern.

2. ORIGIN OF THE PROBLEM: THE REGIME OF UNEQUAL EXCHANGES

Before the rise of Islam as a reform movement in the pastoral/tribal society of the Hijaz, Arabia, in the early decades of the seventh century there were two broad social groups or classes sharply polarised and bitterly opposed to each other: oppressors and the oppressed.⁴ Oppressors were the rich slave-owners, merchant-usurers, landlords, high priests and tribal chiefs. The oppressed were slaves, clients (nominally free slaves) and serfs perpetually tied to the soil, orphans, widows, artisans and workers. They were the pariah people, outcasts and downtrodden who performed all the menial and laborious jobs in fields and houses of their masters and were ruthlessly exploited and looked down upon by the oppressors. Whatever the slaves earned by their labour belonged to their masters. These powerful slave-owners and merchant-usurers dominated a regime of unequal exchanges or unjust economic transactions in which fraud, and force were employed to deprive the poor and the weak of their legitimate shares, due rewards, fair wages and equal

³Bukhari, Muhammad ibn Ismail in his *al-Jami al-Sahih* has recorded a tradition related by Abd Allah ibn Abbas (d. 68/687-8) who says that the last verses of the Quran which were revealed to the Prophet were the verses of *riba*.

⁴Quran, 4:75, 97-100; 9:61-70; 16:22-27, 19:73-75.

compensation.⁵

What is an exchange? In the narrow economic sense it is an act or process of bartering, trafficking or exchanging goods and services for other goods and services. In the broad sense, such exchanges involve contracts, transactions and agreements between individuals and groups and form the social and moral nexus of an orderly and harmonious economic system. In an equal or just exchange one commodity is exchanged for another commodity of an equivalent value. Equality of exchanged values in quantity and quality is the *sine qua non* of a just exchange and such an ideal principle of equality is the inner core, legal and moral substance of a just, peaceful, equal, and free community of human relations and institutions from which emanate social and economic equality, freedom and justice. In an unequal or unjust society, like the slave-owning society of pre-Islamic Arabia this unequal or coercive economic exchange becomes a sort of theft and robbery. Just and unjust exchanges are antithetical to each other as equality and freedom are opposed to inequality and slavery. In the slave-owning pre-Islamic Arab society, through a regime of unequal exchanges the oppressors had come to appropriate the possessions and properties of the poor and the weak.⁶

This had led to a sharp social polarisation between the oppressors and the oppressed. All outward exchanges, sales, barter and transactions between the powerful and the weak were the mysterious vantage points where coercion, fraud and exploitation insidiously lurked. In the absence of a moral criterion of judging right from wrong, true from false, and just from unjust, force decided everything. The powerful oppressors seized everything. In primitive barter societies where money markets were not developed and where exchanges were exploitative many sales had become loans if prices of loaned commodities were paid at higher rates after certain periods. When the Quran pointed to the oppressors that their *riba* transactions were virtually unequal exchanges between the powerful lenders and poor borrowers, they had cleverly replied that almost all their contemporary sales and exchanges resembled *riba* (*innama al-bayu mithl al-riba*)⁷ This was a clever insinuation which meant that all their contemporary sales were nothing but unequal exchanges of exploitative nature as were the loans of *riba* between rich creditors and their poor debtors. The Quran, on the contrary, upheld the ideal principle of an

⁵The Meccan *Surah Mutaffifin* or *Tatfif* ("Dealing in Fraud" 83:1-3) refers in particular to this group of oppressors: "Woe to those that deal in fraud,—those, who when they have to receive by measure from men, exact full measure; but when they have to give any measure or weight to men, give less than due".

Abd Allah ibn Abbas relates "that at the time when the Prophet came to Medina (after the Hijra) the residents of the town used to be the most deceitful people in weighing of commodities. So this Surah was revealed. There were merchants in Medina who used to defraud the people and their economic transactions resembled the gambling practices of *munabadha* (barter of one commodity for another just by throwing them to each other and bearing all risk and uncertainty involved); *mulamasa* (barter of goods without seeing or touching them before the transaction), and *mukhatara* (aleatory transactions of risk and chance). A certain person named Abu Juhayna used to keep two containers of measurement; with one (smaller) he sold his goods and with the other (larger) he bought them. (Al-Wahidi, pp. 333-334).

⁶Quran, 4:161.

⁷Quran, 2:275.

equal and just exchange: "And God hath permitted *bay* (equal and just exchange) and forbidden *riba*".⁸

As we shall discuss in another section of this paper, the earlier Muslim Jurists had interpreted *riba* in the broad sense of an unearned income which comprehended not only loans of commodities, money and cattle for increases in them with time extensions (*riba al-nasia*), but also unequal direct sales and exchanges from hand to hand in which an increase or surplus (*fadl*) occurred, that is, when one party was given less value in exchange of a commodity against another commodity. For the Jurists, both these transactions of loans and sales involving increases and surpluses were unequal exchanges and both were the sources of unearned income and illicit profit in the context of the pre-Islamic society.

It was actually a monolithic concept in the sense that generally the usurer who loaned scarce money, cattle and foodgrains on *riba* was also the person who bought crops and fruits in advance, hoarded them, and sold them at higher prices in times of scarcity, famines and wars. He was also a landlord who leased his land to the serf-tenants and farmers on the basis of share-cropping or for fixed amounts of money or foodgrains paid to him in advance. He was also a tax-farmer who loaned money to powerful tribes, lords or kings and exploited the poor tenants and serfs through excessive imposts, levies and taxes. He was also a slave-owner, a high priest and a tribal chief who seized and appropriated the earnings of his slaves and serfs. Such a powerful person who combined all these functions in almost all the areas and sectors of this primitive society, in sales and in loans, was also the member of the rich oligarchy of oppressors which is aptly termed by the Quran as "Community of Oppressors", *Qarya Zalima*.⁹ This powerful oppressor exploited the poor tenants, serfs and slaves, defrauded buyers, consumers, and workers, the needy and the poor and appropriated through such unequal exchanges, sales, loans, and mortgages the entire possessions and properties of the weak individuals and tribes.¹⁰

3. INTERPRETATION OF *RIBA* BY JURISTS (*FUQAHA*)

For the early Muslim Traditionists and Jurists, like Malik ibn Anas (d. 179/795-6) who interpreted *riba* in the context of a medieval society of agrarian feudalism, *riba* was an unearned income of the nature of an unequal exchange, and was essentially of two broad categories: *riba al-nasia* and *riba al-fadl*. It appears that, as under an agrarian feudal economic order feudal lords oppressed the serf-tenants who were perpetually tied to the soil, the Jurists saw the problem of *riba* in a broader perspective in the newly conquered territories of Egypt, Syria, and Iraq etc. in its two broad groups or categories of '*riba* in loans' and '*riba* in sales'. This categorisation corresponded to the two distinct classes of feudal lords and money-

⁸Quran, 2:275.

⁹Quran, 4:75.

¹⁰Bukhari has also recorded some traditions which relate that the Prophet had borrowed some barley flour from a Jewish shopkeeper in Medina and had mortgaged his coat-of-mail because he had nothing to pay for the flour. The Prophet died and his coat-of-mail remained mortgaged with the shopkeeper.

lenders who were dominant during the late Middle Ages. The Jurists applied the rule of *riba*—prohibition on a changed situation, on a somewhat larger perspective.

The Jurists extended the Quranic definition of '*riba* in loans' to '*riba* in sales' according to Prophet's prohibition of *riba al-fadl*. For them, *riba al-nasia* (*riba* in loans) is the *riba* or unearned income of usurers, money-lenders, tax-farmers and hoarders, whereas *riba al-fadl* (*riba* in sales) is the *riba* or unearned income of merchants and landlords. These *riba*-profits existed in the two broad correlated spheres or sectors of loans and sales—both comprised the total complex of economic activity. The first sector was clearly defined by the medieval scholars as *riba al-nasia*, the *riba* par excellence, the manifest, clear, tangible and historically older. This was the domain of hoarder/usurer of money and commodities. The other broad sphere where *riba*-profits were also earned was that of buying, selling (and hiring) of commodities and productive factors, like land, cattle, crops and slaves. This was the domain of landlords, traders, merchants, speculators and middlemen. These categories of *riba* were the Jurists' analytical and methodological tools to understand the complex phenomenon of *riba* in the medieval context.

Malik ibn Anas in *Muwatta*, and Abu Bakr Ahmad ibn Ali al-Bayhaqi (d. 458/1065) in *al-Sunan al-Kubra*, for example, record traditions which describe in details numerous types of *riba al-fadl* sales which include sharecropping, lease of land for a certain share of its produce, sale of crops of many years in advance, hoarding of foodstuffs in order to increase their prices, all aleatory sales of risk and chance, monopolistic control of supply and production etc. The Jurists believed that if *riba* was interpreted as *nasia* and banned in the sector of loans only, then a major part of any economy would be open to exploitation and oppression of the weak and poor individuals, groups and classes by the rich landlords, merchants, traders, speculators, agents and middlemen. As land was the main factor of production in medieval times, share-cropping, leasing of land, farming and tax-farming were the major sources of unearned income or *riba al-fadl*. [Haque (1985), pp. 88-105].

4. RISE OF CAPITALISM AND INDUSTRIAL CAPITAL

After the decay of feudalism in the 17th and 18th centuries, capitalist forces and modern methods of production, science and technology triumphed over the authoritarian church. Subsequently, in the wake of the movements of Reformation of religion and Enlightenment religion was separated from state apparatuses and from social and natural sciences thus freeing the human mind from feudalistic restraints.

Economics became an autonomous social science in the 18th century when the Industrial Revolution was sweeping across the world. The concepts of a modern economy, modern factors of production, industrial and finance capital, industrial labour, production techniques, industrialisation and urbanisation also emerged as modern processes. Classical economics was the product of the Industrial Revolution which saw the rapid development of industry and scientific methodology and

technology during the late 18th and early 19th centuries. Industrial capital now became an important factor of production. The classical economists argued that social product now belonged to the four distinct social classes: labourers (wage), landlords (rent) entrepreneurs (profit) and money-capitalists (interest).¹¹ The modern economic categories of industrial and finance capital, industrial or wage-labour, land and entrepreneurship were thus represented by the new social classes of capitalists, financiers, wage-labourers, landowners and entrepreneurs whose returns and rewards, according to modern economics, were determined according to their real contributions to the national wealth. These new social classes are different from the primitive social classes of merchants, usurers and landlords of the early 7th century Arabia. "Most of the earlier opposition" [to interest payments], says J. W. Conrad [Conrad (1966), p. 97], "was based on the fact that interest was regarded as the means by which the wealthy received an unearned income". The attacks of scholastics against interest and usury in Europe during 15th to 17th centuries before the Industrial Revolution and emergence of capitalist forces, were largely neutralised.

In modern economics, interest is now defined as "the charge made (or price paid) for the use of loanable funds". [Deane (1988), p. 185] Deane gives four rationalisations for the payment of interest in a modern capitalist economy: (1) loanable funds are now productively used like other factors of production; (2) interest is a reward for abstinence; (3) people's propensity for liquidity preference; and (4) interest is allowed as a risk premium. With the coming of the age of individualism and *laissez-faire* in the 19th century, says Henry W. Spiegel, interest was recognised as a price for the use of capital or loanable funds. (*The New Palgrave Dictionary of Economics*, iv, pp. 769-770).

During the colonial period, since the 18th century, and after their political independence from the Western imperialists, the modern Muslim societies and their economies have been integrated into the global capitalist system. In the capitalist economic system, profit, interest, rent and wages are the prices and rewards which accrue to distinct social classes of entrepreneurs, money capitalists, landlords and labourers in the capitalist production process. In the modern pluralistic democratic societies, in the context of modern political and legal frameworks, the owners of productive resources are legally entitled to these rewards or recompenses.

The capitalist concepts and theories about modernisation and economic development were implemented in Pakistan in the 1950s and 1960s in the form of development plans in order to transform the traditional rural and semi-feudal sectors of Pakistani society and economy into a modern industrial capitalism which

¹¹Adam Smith [Smith (1937), pp. 52-53] writing during this period, around 1776, says that in a modern economy where land and stock (capital) have become private property and labourers work for wages, the price of the whole annual produce resolves itself into wages, profits and rent. The revenue "derived from stock, by the person who manages or employs it, is called profit. That derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money".

required a modern social and economic infrastructure and capital formation. According to this capitalist model of development, modern elites of entrepreneurs, industrialists, money-capitalists, businessmen, capitalist-farmers, bureaucrats, professionals and technocrats were created to spearhead this process of development.

This process of modernisation and industrialisation under Ayub Khan (1958–1969) required a corresponding ideological change. So a modernistic reinterpretation of Islam and its historical/medieval concepts of *riba*, *zakat*, etc. became a necessity. In this transition from feudalism to industrial capitalism it was thought that an enterprising class of industrialists, financiers and bankers was needed to facilitate a rapid change of the traditional rural and semi-feudal sector to a modern industrial-urban structure.

5. LIBERAL-MODERNIST INTERPRETATION OF *RIBA*: FREE-ENTERPRISE CAPITALIST MODEL

During the early 1960s when the process of economic development was initiated according to the Western capitalist model, Islamic modernism began asserting itself in Pakistan. Islamic modernism was based on the assumption that religious reforms were necessary to accelerate the processes of economic development, urbanisation and modernisation. For this purpose Islam had to be interpreted as a principle of modernisation based on the western capitalist ideas and practices.

The late Dr Fazlur Rahman (d. 1988) who was the Director of the Islamic Research Institute (Karachi), under these changed circumstances, offered a modernistic interpretation of *riba*.¹² This was actually an official statement of the Institute written by Dr Rahman in response to a query made by the state-controlled Islamic Advisory Council to the Institute in 1963. In this official statement, Dr Rahman, in reality was responding to the interpretation of *riba* as bank-interest and usury by the orthodox *Ulama* (religious scholars).¹³

This was Dr Rahman's modernistic interpretation of *riba* since it was a challenge to the traditionalist interpretation of the '*Ulama*'. He defined *riba* as "an

¹²*Riba* and 'Interest', *Islamic Studies*, March 1964, Vol. III, No. 5.

¹³See for example: Sayyid Abu al-Aala Mawdudi, *Sud* (Interest), Lahore: Islamic Publications, 1961. The book comprises essays written by A. A. Mawdudi from 1936 to 1960. He thinks that the Quran uses the word of *riba* for *sud*, i.e., interest. (p. 134). He is of the opinion that all loans given for consumption to the needy for interest, and as well as loans for production to the producers given on interest fall in the category of *riba* of the Quran. (pp. 134-146). However, he does not explain *riba al-fadl* in details in relation to land, but confines to a discussion of the *ratio-legis* for the six commodities liable for *riba*: gold, silver, wheat, barley, dates and salt (pp. 149-163). See also various issues of the monthly Journal *Bayyinah* of Madrasah Arabiya Islamiya, Karachi; particularly of January, February, March, and April, 1964 in which some orthodox religious scholars harshly criticised Dr Rahman's interpretation of *riba* as usury/compound interest. The *Ulama* think that bank interest and usury are *riba*.

The original article of Dr Rahman was published as *Tahqiq-e-Riba* in Urdu in the November 1963 (Vol. I, No. 5) issue of the Institute's Urdu Journal *Fikr-o-Nazar*. (pp. 52-100).

exorbitant increment whereby the capital sum is doubled several-fold, against a fixed extension of the term of payment of the debt".¹⁴ He based this conclusion on the Quranic verse (3:130): "O ye who believe, devour not usury, doubled and multiplied (*adafan mudaafan*): but fear Allah that ye may really prosper". For Dr Rahman, therefore, the Quranic term *riba* essentially means an exorbitant interest-rate of the nature of illegal usury which, he thinks, must be reformed by religion and prohibited by means of law, and that the present bank-interest does not fall in the category of *riba*. Therefore he suggested gradual legislation against "grave social inequities, and abolition of feudalism and the practice of hoarding before eliminating bank-interest".

Concluding his article, he stated that in the transitional phase when a capitalist economy was being built in place of a semi-feudal society, "abolition of interest in the present state of our economic development would be a cardinal error".¹⁵ In his article he strongly supported Ayub Khan's policies of modernisation, industrialisation and rapid economic growth and capital formation. He boldly put forward his viewpoint that in a modern economy the interest rate is a price as any other price.¹⁶ These conclusions of Dr Rahman are the *locus classicus* of liberal-modernistic interpretation of *riba* in Pakistan.

Let us put this thesis of Dr Rahman in a larger perspective to understand the problem. He gave this interpretation of *riba* in the early 1960s when Ayub Khan had initiated a process of economic development and modernisation in Pakistan. It was in reality, a process of secularisation and reformation of traditional religion because modernisation, economic development and secularisation are synchronous processes as it happened in the highly developed countries of the West and the East. Ayub Khan had also challenged the orthodox '*Ulama*', who clung to the feudal/medieval interpretations of Islam through his various policies as related to family laws, family planning, *awqaf* (religious endowments), *zakat*, etc.¹⁷

Undue emphasis on rapid economic growth and capital formation in the hands of a few rich families of industrialists, businessmen, capitalist-farmers, and bureaucrats, and neglect of equal distribution of wealth on the bases of class and religion, led to concentration of economic and political power in the hands of a tiny minority of powerful elites. This resulted in a dangerously sharp polarisation of Pakistani society into rich elites and impoverished masses. The middle and lower classes, industrial workers in urban areas, landless peasants in villages all suffered. When during the late 1960s the masses revolted against the ruling elites, Ayub Khan's regime crumbled. With this, Islamic modernism also fell. Dr Rahman had to resign his post as Director of the Islamic Research Institute in 1969 when the '*Ulama*' launched a political campaign against him. In reality, it was a mass

¹⁴"*Riba and Interest*", p. 40.

¹⁵"*Riba and Interest*", p. 40.

¹⁶"*Riba and Interest*", p. 37.

¹⁷Fazlur Rahman, "Some Islamic Issues in the Ayub Khan Era", in *Essays on Islamic Civilization*.

campaign against Ayub Khan's policies, and Dr Rahman was a religious/Islamic adviser of Ayub Khan.

During the period of General Ziaul Haq (1977-88) a political process of Islamisation of the Pakistani economy was initiated. As we have discussed in a separate article [Haque (1991)], this scheme of the ruling elites was mainly based on the hypothesis that Islam was not only a religion but also an economic and political system. The Report of the Panel of Economists and Bankers (*Elimination of Riba* 1980) appointed by the Council of Islamic Ideology in 1977 was also in sharp contrast to the liberal ideas of Islamic modernists, like Dr Fazlur Rahman, who interpreted *riba* as illegal usury and not interest. The *Report* defined *riba* as "interest in all its types and forms". (*Elimination of Riba*, p. 7). This brings us to the interpretation of *riba* by Islamic economists.

6. INTERPRETATION OF *RIBA* BY ISLAMIC ECONOMISTS: HYPOTHETICAL MODEL OF AN ISLAMIC ECONOMY

The Islamic economists who fuse religion and economics together assume that Islam is not only a religion but it also provides an economic system; and further that the discipline of 'Islamic' economics is based on the norms, values, and traditions of Islam and hence it is distinguishable from the modern secular science of economics. The approach of the Islamic economists view the problem of *riba* as a religious, legal, moral and economic issue at the same time, thus taking the problem back to the medieval times. The 'Islamic' economists, like the orthodox *Ulama*, take *riba* mainly in the sense of interest and usury, that is, bank interest, which, they argue, can be replaced by *mudaraba* (profit-sharing). [Ahmed (1980), Chapters 3 and 4].

For these 'Islamic' economists, the other rewards, returns and prices of other factors of production in a modern economy, like rent of landlords (in the forms of share cropping, ground-rent, tax-farming etc.) and profits of entrepreneurs, merchants, industrialists, brokers and agents are legal and licit from religious point of view. They think that interest as a pre-fixed return of (capital) loanable funds is not religiously valid.

As we have discussed in detail elsewhere [Haque (1985), Chapter 6], *mudaraba* (profit-sharing) was a pre-Islamic institution, suitable for distant trade journeys at a time when modern institutions of joint-stock company, banks, stock-exchanges had not yet come into being. This pre-Islamic concept is being re-interpreted, projected, and transposed by the 'Islamic' economists to a modern mixed economy as a sacred religious institution to justify the maximisation of profits under semi-feudalism. In this partnership of profit-loss sharing, as interpreted by the Islamic economists, the businessmen who borrow from (depositors/bankers) do not bear any loss, they lose only their value of time. This

means that by exposing ordinary depositors to risk and chance, this scheme tends to benefit only the rich businessmen and not the common people.

The recent judgement of the Federal Shariat Court on *riba* as interest and usury only, belongs to the category of 'Islamic' economists. The Judgement is one-sided and based on incomplete and fragmentary evidence.¹⁸ The Judgement does not take into cognisance the modern developments in the theories and practices of capital, production processes and other factors of production. Nor does it examine the nature of evidence other than that of a particular religio-political party.

7. CONCLUSION

Various interpretations of *riba*, medieval or modern, are essentially related not only to the nature and character of the actual social and economic systems and structures of the times, but are also dependent on the ways and methods of interpreting Islamic religion in different social contexts. The interpretation of *riba* by Muslim Jurists and Traditionists in the early medieval times as unearned income in the two general forms of *riba al-nasia* and *riba al-fadl* was an attempt to understand the problem of *riba* in the social and economic context of the tribal society of the Hijaz in the early decades of the 7th century when Islam originated and developed as a revolutionary reform movement against a community of oppressors who had enslaved the poor and weak slaves, serfs, artisans, widows and orphans in an exploitative regime of unequal exchanges comprehending all areas of economic activity: trade, commerce and agriculture.

The Jurists' theory of *riba* in the two broad forms was intended to abolish exploitation and oppression of the weak groups and classes by rich usurer-merchants, feudal lords and slave-owners. This interpretation related to a pre-capitalist barter economy when money-economy, industrial capital (machinery, tools, workshops, inventories etc.) and wage-labour had not come into being. Capital existed in the two forms of usury and merchant capital: gold and silver (money), cattle, slaves etc.

The modern interpretations of *riba* by liberal-modernists (as illegal usury), 'Islamic' economists and orthodox *Ulama* (as interest and usury), in reality reflect the struggle between the forces of semi-feudalism and industrial capitalism, between obscurantism and enlightenment. The *Ulama*, and the 'Islamic' economists, it seems, take feudalism and obscurantism for granted by refusing to take account of the ruthless exploitation and oppression of the poor agricultural labourers, share-croppers and serf-tenants in the rural areas of Pakistan. They are also unaware of the developments in the nature and character of modern industrial and finance capital, techniques and processes of modern production and requirements of the processes of modernisation and urbanisation.

¹⁸Federal Shariat Court Judgement on Interest (Riba). Lahore: P.L.D. Publishers, n.d.

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is an important finding and must be projected widely so that Islam's basic spirit to eliminate exploitation in every sphere of life is highlighted and the universality of Quran and Islam is re-established.

(ii) Form and Mode of Presentation

A few observations on the form and mode of presentation of the paper would be in order. The paper has been written within a monolithic framework which apparently smacks of extreme leftist Marxism. There is too much emphasis on the social division between "oppressors" and "oppressed" as the two opposing classes, and the entire paper develops the subject of social movement on the interaction of these two classes.

In brief, the two-class dichotomy between the "oppressors" and the "oppressed" unnecessarily weaves through the main body of Dr Haque's paper, as he traces social evolution from the stage of early semi-feudalism to the modern industrial capitalism.

(iii) Substance and the Main Theme

The importance of Dr Haque's paper lies in defining the economic concept of exchange and the Quranic concept of *riba* in clear terms explaining these in their diverse forms and manifestations. The basic idea of *riba* cannot be understood without an understanding of the concept of "equal exchange" and its opposite an "unequal exchange".

In a truly scholarly manner, Dr Haque reduces all the controversies on *riba* to the common yardstick and the basic denominator of "unequal exchange". His analysis leads to a valid conclusion that "just and unjust exchanges are antithetical to each other as equality and freedom are opposed to inequality and slavery". By highlighting the similarities between *riba* and unequal or unjust exchange and its variants such as exploitation, fraud, deceit and coercion, Dr Haque has attempted to remove the dust of confusion which surrounds the concept of *riba* which is correctly identified as "an unearned income which accrues to the owner of a commodity, money, or productive factor, to a usurer as well as to a merchant and a landlord".

By extending the scope of *riba* to its logical frontiers while excluding the norm of interest from its orbit, Dr Haque has done immense service to the cause of modern Islamic Economics.

(iv) Suggestions for Further Research

My feeling is that the views expressed in this paper have already been embodied in Dr Haque's (1985) major work entitled: "Islam and Feudalism: The Economics of *Riba*, Interest and Profit". However, that does not dispense with the need to break fresh ground in this important field and for that matter, the Federal Shariat Court (FSC) Decision of November 1991 which has brought forth the issues

of *riba* and interest on the forefront, can serve as a necessary catalyst for renewed work on the subject to resolve the current controversies. Dr Haque has touched on the FSC decision in a cursory manner. The mere fact that Dr Haque's erudition and research provides a challenging stance to the FSC verdict, raises our expectations that his further contributions can be extremely useful in reaching a consensus on the vital issues of *riba* and interest.

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