

## **Islam and Economics in Pakistan: Critical Perspectives**

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### **1. INTRODUCTION**

The modern world characteristically stands divided into developed and developing countries, or into core and peripheral societies, which exist at different stages of development but in general comprise a single global economy. The former dominate the latter in a typical division of labour in which the economically rich countries of the core areas specialise in the manufacture of industrial goods of high technology, whereas the developing countries where the majority of population depends on agriculture as livelihood specialise in the production of mainly agricultural raw materials. Some semi-peripheral countries mediate between these two categories in a complex web of socio-economic relations, structures, and formations. [Wallerstein (1979; 1984)]. Therefore, the economic problems of particular societies, regions, and countries are now closely connected and even inextricably intertwined. Developing countries like Pakistan have now been integrated into this global economy.

The capitalist world-economy has been expanding since the sixteenth century, and has developed more rapidly after the Industrial Revolution and the French Revolution in the eighteenth century. It has now been extended to the whole world. Subsequently, a great transformation, continuing from previous centuries, has occurred in modern society, in which primordial socio-economic organisation based on the family and the subsistence household-economy has gradually been replaced; first, by a local-national economy, and then by a global economy based on the principles of limited liability corporation, factory system, wage-labour, money-economy, and production for the market. This is a profound change from feudal/agricultural social organisation to an industrial social organisation. For a discussion of this transformation, see Coleman (1993). This transformation has clearly discernible forms of social change: change in the mode of production, from

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agricultural feudal manor to modern factory; change in locality and social mobility; and movement from the community of villages to the urban society of modern cities; from non-division agricultural labour to division of labour in modern industry [Coleman (1993), p. 7].

All these socio-economic changes during and after the eighteenth century brought in their wake corresponding changes in religious and intellectual perceptions, giving rise to the movements of religious Reformation and Enlightenment in Europe. The French Revolution was greatly influenced by the ideas of the enlightenment, which sought to build modern society and economy on the basis of reason. The chief motto of the philosophers and economists of the Enlightenment was *Sapere aude*: "Have courage to use your own understanding". It underlined the principles of tolerance, equality, freedom of expression, and independence of critical, scientific enquiry and investigation of social and natural phenomena against prejudice, superstition, dogma, physical and intellectual slavery, and arbitrariness of despotic political and religious authorities.

These changes gave rise to the development of modern social sciences (economics, anthropology, sociology, etc.) and to the concept of modern economy as an autonomous entity which has its own laws and scientific methodology as different from those of religion. The fundamental question now asked was: What is the relationship of religion with economics (and an economy), and hence, what is the role of religion in the modern capitalist society and economy? [Haque (1991)]. Now the world, and its global economy, is to be taken as a whole to understand the relationship between economics and religion in modern life. No modern society, whether developed or developing, capitalist or socialist, Muslim or non-Muslim, now lives in an insulated island.

## 2. ISLAMISATION OF ECONOMY: CONCEPT AND METHODOLOGY

In the 1970s, contrary to the plans and strategies of economic development and growth, and modernisation theories of the 1950s and 1960s, the Pakistani ruling élites introduced some elaborate schemes and formulae to 'Islamise' the mixed economy of Pakistan. [For details, see Haque (1991).]

This phenomenon of 'Islamisation' (of economy) is not an isolated phenomenon but is closely connected not only to the internal socio-economic conditions of the semi-feudal Pakistani society, but, more importantly, to its relations with the more developed countries of the East and the West which dominate the capitalist world-economy through agencies like the World Bank, the International Monetary Fund, and multinational corporations.

The scheme of 'Islamisation' of the economy was introduced by a Martial Law regime in an arbitrary and undemocratic way, with dogmatic frenzy and without

proper scientific study. It was basically a political instrument of social control devised by the ruling élites to maintain the *status quo*, block land reforms, and any other radical social change. [Haque (1991)]. As we shall see presently in another section of this paper, this is actually ritualisation of Islamic religion in the form of fixed rules, which tend to corrode social morality and deepen the gulf between the rich élites and the poor masses, exacerbating a dangerously sharp social polarisation and eliminating the middle classes of the Pakistani society.

In this paper, we shall make an attempt to explain and understand the phenomenon of Islamisation of the economy in the perspective of global economy as we are now a part of a capitalist world-economy. The paper shall try to underline in brief the reasons, motives, and results of this process of Islamisation.

In this capitalist world-economy, all modern societies, whether Muslim or non-Muslim, and their national, regional or local economies are inter-related and inter-dependent. The peripheral areas are in general dominated by the core areas of highly industrialised economies. Development and growth can take place independently in a particular developing economy if this economy can viably compete in the global economy with its industrial products and modern technology, and thus acquire independence from the interference of more powerful countries and international agencies. As economic, political, and cultural freedom of a developing society depends on its liberation from foreign dominance, the real development of its economy and the growth of all its sectors can take place only in an atmosphere of independence: when the decisions of what to produce, how to produce, and for whom to produce are freely taken by this society and are not dictated by the rich countries.

Modern Muslim societies are socially polarised societies in which tiny minorities of Westernised rich élites rule over the impoverished large masses, who are forced to exist on the periphery of the economic and political systems of these societies[Mingione (1991), pp. 419-474].

As the social polarisation and elimination of middle classes tend to arrest all social change and mobility, the process has led to violent reactions on the part of the poor masses deprived of all basic necessities of life. This explains the two-fold nature of Islamic fundamentalism now sweeping the modern Muslim societies: radical and conservative. The radical Islamic fundamentalism is revolutionary and aims at overthrowing the joint rule of native and foreign élites over the powerless masses in order to bridge the growing social polarisation and initiate viable social change in the present social and economic structures. The conservative form is that of the religious and feudal élites of the Muslim societies which, through political strategies of Islamisation schemes, attempts to maintain the *status quo* of the semi-feudal and neocolonial structures from which they benefit. The religio-political parties and groups in Pakistan, in general, form a conservative élites of this type.

### 3. MAX WEBER: THE PERSPECTIVE OF CLASSICAL CAPITALISM

Max Weber, in his study of the economic culture of classical capitalism in its relationship with the reformed Christian religion in Europe and North America, came to the conclusion that, *inter alia*, the cause of rapid capitalist development and economic growth in Western Europe and North America was the *ethos* or spirit of the worldly asceticism of reformed (Protestant) Christianity, with its imperatives of methodical work (the calling) as the moral duty of life and the parsimony or the limited consumption (or saving) of income which ultimately led to the accumulation of capital for investment. Classical capitalism, according to Weber, thus grew because of Reformation (of Christian religion) [Weber (1904-5, 1958), pp. 155-183].<sup>1</sup>

This thesis of Max Weber's about the relationship of classical capitalism with religion greatly influenced theories of modernisation, development, and economic growth of the agrarian economies of the developing societies in the 1950s and 1960s. The Western economists, sociologists, and anthropologists thought that in order to modernise their agricultural economies and semi-feudalist societies, the developing countries must follow this model of classical capitalism of Western Europe and North America, in which a process of rationalisation (or secularisation) and rising élites of entrepreneurs, industrialists, bureaucrats, businessmen, and financiers led economic development. In this process, capital accumulated out of the savings of rich industrialists motivated by the spirit of worldly asceticism of Protestantism. These scholars interpreted Weber's thesis of the relationship of religion with an economy as if certain ethics of an ascetic religion could be imposed on a given developing society to accelerate growth of the economy.

Actually, Weber's thesis, an outcome of specific European socio-economic conditions, could not be applied literally for modernising and developing the semi-feudal agrarian societies of the developing countries as their real socio-economic situations and religious ethics differed from those of the developed societies of the West. Reformation of Christianity occurred when (classical) capitalism was just emerging in the core industrial areas of Western Europe and North America. The recent rapid economic development of Japan, Korea, Taiwan (now China, Malaysia, and Vietnam), etc., has demonstrated that Weber's thesis (of Protestant ethics) does not apply to these fast-developing economies of East Asia as their populations are influenced by the religious ethics of Confucianism and other religions and not those of Protestantism. What Weber, in reality, emphasised, was the process of

<sup>1</sup>"This worldly Protestant asceticism", says Weber, "acted powerfully against the spontaneous enjoyment of possessions; it restricted consumption, especially luxuries. On the other hand, it had the psychological effect of freeing the acquisition of goods from the inhibitions of traditionalistic ethics. It broke the bonds of the impulse of acquisition in that it not only legalised it but looked upon it as directly willed by God". [Weber (1904-5, 1958), pp. 170-171].

rationalisation in modern society, which has tended to separate religion and economy as autonomous entities in modern capitalist society, even though religious ethics and economic matters in any given society influence each other, as Protestant ethic did influence the development of classical capitalism [Weber (1904-5, 1958), pp. 176–183].

In the modern capitalist society, says Weber, economy has outgrown the traditional and medievalistic concepts of religion, which used to dominate all areas of human life and thus impose restrictions on human mind and society in the form of arbitrary dogmas, superstitions, and magic. “The Puritan wanted to work in a calling; we are forced to do so”, observes Weber. “For when asceticism was carried out of monastic cells into everyday life, and began to dominate world morality, it did its part in building the tremendous cosmos of the modern economic order. This order is now bound to the technical and economic conditions of machine production which today determine the lives of all the individuals who are born into this mechanism, not only those directly concerned with economic acquisition, with irresistible force. Perhaps it will so determine them until the last ton of fossilised coal is burnt. In Baxter’s view, the care for external goods should only lie on the shoulders of the ‘saint like a light cloak, which can be thrown aside at any moment’. But fate decreed that the cloak should become an iron cage”. [Weber (1904-5, 1958), p. 181.] “Since asceticism undertook to remodel the world and to work out its ideals in the world”, concludes Weber, “material goods have gained an increasing and finally an inexorable power over the lives of men as at no previous period in history”. (*Ibid*; p. 181).

This materialist capitalist economy, its commodification, its economic categories, factors of production, production of goods for profit, its rational, calculating spirit and scientific methodology are matter-of-fact principles, whereas religion, now bound to reason, is a matter of faith, final and immutable. [Haque (1991).]

The capitalist world-economy now embraces the entire world, both developed and developing countries. Classical capitalism from the sixteenth to the eighteenth centuries developed when feudalism had declined and ended in Europe. The religious divisions and sects of this period in Europe were the results of the nature of the societies of these regions. The emerging core societies, which specialised in manufacturing industrial goods, became more materialistic and progressive in general outlook on life and its economic problems, turning to various sects of Protestantism. There industry, wage-labour, modernisation, and urbanisation grew fast. People started moving from villages to cities, and from agriculture to industry. The regions which remained Catholic, conserving traditionalism, custom, and dogma (Spain, Portugal, Eastern Europe, etc.), were the periphery, which supplied agricultural raw materials to the more developed core countries.

Moreover, in the more developed Protestant areas, religious ethics (worldly asceticism, parsimony, honesty, labour, controlled consumption, work discipline, and rational behaviour) was the motivating force, spirit or ethos of the rising middle classes and entrepreneurs; and unlike the rich élites of modern Muslim societies, they did not use religion as a political instrument of legalistic fixed rituals to block all social change, mobility, and democratic culture in order to maintain the decadent *status quo* of feudalism.

The phenomenon of Islamisation of the economy and movements of Islamic renaissance, it must be noted, have now generally occurred in those developing Muslim countries which are characterised by semi-feudal social conditions, general social and economic underdevelopment, and poverty, and which supply raw materials to the highly developed capitalist countries and depend on them for their social and economic development.

#### 4. ISLAMIC ECONOMY AND ITS RELIGIOUS RITUALISATION

A modern economy is the sum-total of economic institutions, structures, and ideas comprehending production, consumption, and distribution of scarce commodities, factors, and resources for multiple ends. It is an autonomous socio-economic organisation which is inter-related to other areas and disciplines of human life. It constantly grows and changes to new formations, structures, systems, and modes of production.

Our discussion so far shows that we are now in the midst of two irreversible processes of modern economic culture of capitalist world-economy.

First, as discussed above, a great transformation has occurred during modern times in which the old socio-economic organisation based on family or household economy of medieval times has changed to a global economy, in which industry, production for the market, factory system, corporations, etc., now play dominant roles. Secondly, the economy of Pakistan is being inexorably integrated into the global economy of world capitalism through innumerable and complex international relations and structures.

In these twin transformations, religion has gradually retreated from many social and economic areas and has ceased as a means of social control in the highly developed countries, yielding its place to scientific methodologies, pluralistic democracy, rule of law, modern legislation, rational ethics, and natural and social sciences. In this process, religion has not been discarded but has been subjected to the bounds of reason.<sup>2</sup> In the context of a developing Muslim society, like Pakistan,

<sup>2</sup>In Europe, this development can be traced to the eighteenth-century movement of Enlightenment. For details, see the works of Immanuel Kant (1724-1804): *The Critique of Pure Reason*, *The Critique of Practical Reason*, *The Critique of Judgement* (1781-1792) now published in one volume: Kant (Chicago, 1952).

this requires a scientific and sophisticated response and an understanding of the role of religion in economy (and society).

We can respond in two ways to these inevitable world processes. We can react in an emotional, naive, and dogmatic way, or we can approach, understand, analyse, and build our society in this fast-changing global scenario in a rational and scientific way. The first method ends in using religion as a political instrument of social control in the hands of the ruling élites to block all social change, all democratic processes, land reforms, and maintain the gulf between the privileged élites and the poor masses. This would reduce religion to a fixed, legalistic ritual of *status quo* and would corrode the moral fibre of society, making religion a mere hypocritical *facade*.

If we respond in a rational and scientific way, we have to separate religion from economy and concentrate on developing our economy as a modern, viable, competitive, and independent entity for survival in the fast-developing global economy—through industrial revolution, land reforms, and egalitarian socio-economic structures, abolishing the cleavages between the élites and the masses, villages and cities, literates and illiterates, etc.

Unfortunately, so far, we have responded to these modern challenges in a dogmatic and naive way through interpreting Islam as a legalistic ritual and making 'Islamic' economy a sheer process of fixed ritualisation, which tends to arrest all social change and block land reforms, social mobility, and universal education. Viewed from the perspective of global economy, this is apparently nothing but an emotional and negative reaction against the powerful onslaught of developed capitalist countries. But, in reality, 'Islamisation' schemes seem to be defence mechanisms of the indigenous ruling élites for maintaining the *status quo* through a political use of the Islamic religion. We shall now briefly make some observations on the nature, motives, results, and consequences of these schemes.

## 5. CONCEPTUAL CATEGORIES AND FORMS OF 'ISLAMISATION': THE PERSPECTIVE OF ISLAMIC ECONOMICS

Following the scholastic approach of medieval scholars, Islamic economists interpret Islam not only as a religion but also as a social and economic system [Haque (1992)]. The term 'Islamisation of economy' is an antinomy or contradiction. It presupposes that something which is not Islamic is to be Islamised; that is, some contemporary economic structures, relations, institutions, ideas, and theories (like bank-interest) are not Islamic. A fundamental question in this connection arises: What is the criterion to judge what is Islamic and what is non-Islamic when scholars interpret Islamic religion, Islamic categories and institutions, both theoretical and historical, in different ways? For example, bank interest, in theory and practice, is an historical institution whose origins are shrouded in the mist of past centuries and pre-

capitalist societies. The Quranic concept of *riba*, which the Islamic economists interpret as usury and interest, relates to a tribal society of Arabia of the seventh century, A. C. It is a stupendous task for scientific research to correctly trace the contours of origins and developments of *riba* and modern interest. Moreover, in the study of such historical and controversial themes, differences in interpretation are bound to arise. [Haque (1993)]. This is the reason why Islamic economists and modernist scholars interpret *riba* in different ways. There is no consensus of opinion.

Various schemes, formulae, and devices of Islamisation (of economy) are based on improbable hypotheses, and mainly relate to the pre-capitalist medieval societies when religion and theology were intertwined with law, economics, ethics, politics, and other disciplines and subjects. But during the last two centuries, when modern natural and social sciences emerged as a result of new socio-economic transformations, modern economy and the subject-matter of modern economics developed accordingly. The crux of the matter now is to develop Pakistani economy and its economic culture and ethics on scientific foundations and principles provided by the economic science because we are now part of a world economy and are not living in the medieval times.

The categories and forms of the Islamisation scheme largely constitute a dogmatic approach to the economic problems of poverty, unemployment, underdevelopment, economic inequality, corruption, and general social retardation. Interpretation of *riba* as interest/usury, introduction of *mudaraba* as profit-based economic ventures, levy of *Zakat* (poor dues) and *ushr* (tithe) on the middle and lower-middle classes, vague and controversial Islamic modes of finance, 'Islamic' banking, and PLS (Profit-and-loss Scheme) have, as various studies now reveal, led to distortions in the allocation of scarce national resources, have further deepened the social polarisation between the rich élites and the poor masses by aggravating the problem of distribution of wealth, and have increased economic inequality and disparity. This misconceived scheme has also resulted in hypocrisy, graft, dishonesty, corruption, sectarianism, religious divisions, and intolerance. (*Shias* are exempted from the levy of *Zakat*). Social morality has been destroyed by these shallow ritualisations.

If such schemes are further continued in religious frenzy and religion is not separated from economy, the gulf between the ruling élites and large masses will be widened further and, ultimately, lead to violent social irruptions, and collapse of democratic institutions.

## 6. CONCLUSION

Modern societies and economies, developed as well as developing, throughout the world are undergoing a profound social and economic transformation, in which old feudal-tribal social organisation based on the family, household economy, and

traditional/tribal customs is being replaced by modern industry, corporations, democratic pluralism, and scientific culture. Pakistani economy has also been integrated into a global economy. These fundamental changes in the social and economic organisation, and the globalisation of the economy, require important changes in the meaning of the role of religion in modern economy.

Various schemes of Islamisation of the economy in Pakistan have introduced fixed legalistic rituals, which have led to a dangerous social polarisation, aggravation of economic inequality and disparity, poverty, general corruption, religious intolerance and sectarianism, and rapid corrosion of social morality.

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## Comments

Problems of particular societies, countries, and regions are intertwined in the modern world. Capitalism, with concomitant transformation from the old agricultural social organisation to the modern industrial social organisation, has been able to engulf the entire world.

In the wake of this transformation, family or household economy of the medieval times has changed to a global economy, wherein industry, production for the market, factory system, and corporate businesses dominate. Pakistan is also inexorably integrated into the global economy of world capitalism through a complex web of international relations and structures.

Religious reformation and enlightenment also accompanied the social transformation in the Judeo-Christian regions. In the course of these transformations, although religion gradually retreated from many social and economic areas, yet religion is now regaining control. Knowledge has been compartmentalised into various disciplines including economics, sociology, anthropology, etc., but this approach is facing a formidable challenge from the proponents of the interdisciplinary and multi-disciplinary approaches to knowledge.

It is very important to explore interactions between religion and economics in the context of the global economy scenario. Therefore, the discussion of reasons, motives, results, and socio-economic implications of the Pakistani Islamisation process is a commendable task.

It is argued that "Islamisation has resulted in hypocrisy, graft, dishonesty, corruption, sectarianism, religious divisions, and intolerance in Pakistan". It is an indefensible accusation devoid of scientific evidence. It cannot be justified unless one demonstrates how religious commands lead to such problems? To the best of my knowledge, it is impossible to establish such a relationship between the commands in the Qur'an or the Sunnah and the problems observed in Pakistan. Anyway, the phenomenon is not unique to Pakistan. These problems exist in every country to varying degrees. Such problems are rampant, and perhaps to a greater degree, in some of the dominant capitalist countries, as well as in the socialist countries, which championed the cause of egalitarianism.

The Pakistani Islamisation experiment is labelled "a political instrument of social control devised by the ruling élites" due to increased corrosion of "social morality" and accentuation of "social polarisation" in Pakistan. But this does not mean that the implementation of Islam would cause these problems. On the contrary, Islamisation would, in fact, help Pakistan overcome these evils.

Pakistan, like many other countries, has lost its economic, political, and cultural independence to the dominant capitalist world. Westernised élites rule over

the large masses in Pakistan. Yet those interested in overthrowing the joint rule of the native and foreign élites to “bridge the growing social polarisation” on the basis of a separation between economy and religion cannot be trusted with this noble task because the egalitarianist socialist regimes based on the separation between economy and religion failed miserably. Those blamed for maintaining the “*status quo*” of semi-feudal and neo-colonial structures” may not succeed in realising the egalitarian objectives enunciated by Islam due to their personal incompetence in implementing Islam.

True, a society should not react in an emotional, naive, and dogmatic way. Rather, it is preferable to approach, understand, analyse, and build the society in a rational and scientific way. But this can be done under the guidance of the Islamic revealed knowledge. Anyway, is there a separation between religion and economy in the fast-growing countries like Japan, Taiwan, Korea, Malaysia, and others? If not, then the plea to separate religion from economy for the sake of an egalitarian society is pointless without demonstrating how religion, especially Islam, would keep Pakistan from developing an egalitarian socio-economic structure. In fact, after the failure of the socialist regimes, Islam carries the hope to establish an egalitarian society in Pakistan. But the task is to be carried forward by the sincere and competent youth imbued with Islamic knowledge and a sense of responsibility.

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