Book Review

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What is Mammon? According to Oxford Dictionary, the word mammon refers to “wealth regarded as an evil influence or false object of worship and devotion.” In the Preface, the author describes it as “…Mammon – the evils associated with immoral forms of economic gain” (ix). The title is what drew me to the book. I have been following the author’s writing for almost ten years now. To me, Professor Timur Kuran (Kuran henceforth) has different yet interesting perspective, which is more often than not off the trajectory of other Islamic economic scholars’ writings.

The author is a Professor of Economics and Law, and King Faisal Professor of Islamic Thought and Culture at the University of Southern California. His other works includes the book Private Truths, Public Lies. I first came across his writings in 2005, while doing an assignment for the post-graduate class. Since then, his writings, along with a few others such as Sohrab Behdad (which refers to the author’s present work as “[A] first rate analysis…” has always captured my interests. I always read their work with extra care, because their arguments are different from the mainstream writings. Different means intellectually stimulating and challenging. To me, their thoughts prompt the readers to re-examine the current economic situation of the Muslim economies from a totally different angle. The angle that would probably further ignites further debates. Depending on how you look at the situation and which economic school of thoughts you belong to, your responses might be different.

The book contains six chapters, in addition to Preface, notes, references and an index. The chapters cover the topics such as “The Economic Impact of Islamism”, “Islamic Economics and the Islamic Subeconomy” and end with Chapter Six with the title “Islam and Underdevelopment: An Old Puzzle Revisited”. The Preface is concisely written and summarizes all six chapters well. It gives an insight to the readers to what awaits them. The book,
eventhough short, requires concentration and deep thinking. One should read the book with care and listen carefully to the author’s arguments to discern what Islamic economics predicaments underlie his concerns.

The author mentioned that his critics focused on three areas viz. the interest ban, wealth distribution through the zakat system, and the Islamic norms of economic behaviour (p. xiv). This is because these three topics are central in the Islamic economics discussions. According to him, Islamic economics is an example of an “invented tradition” (p. x). Even the concept of Islamic Banking is the product of the recent twentieth century. Explaining why Islamic economics are spared the critical analysis prevalent in the conventional analysis, one of the explanations he offered is “to evaluate the economic doctrine of Islamic economics, requires familiarity with economic theory, Islamic history and the contemporary Islamic world – realms of analysis that rarely intersect” (p. x). On page xvi-xvii the author noted that “...nowhere does economic Islamisation enjoy mass support.” I think the statement needs revision. Islamic finance is gaining momentum and Islamic financial assets is expected to reach USD3 trillion by 2012. In addition, the current 57 states of the Organisation of Islamic Cooperation (OIC)economies as a group represents more than one fifth of the total world population. The mass support is there already, especially in the area of Islamic banking and finance. According to Ernst & Young (E&Y, 2012) in a recent report, Islamic banking assets with commercial banks globally grew to USD1.3 trillion in 2011 and might reach USD1.8 trillion in 2013, suggesting an average annual growth of 19 percent over the past four years (2011: 24 percent). Islamic financial assets is expected to reach USD3 trillion by 2012.

Chapter One starts with the topic of “The Economic Impact of Islamism” (pp. 1-37). This is one of the longest chapters. It covers banking and finance, interest rates, redistribution of zakat, Islamic economics and ends with a prognosis. Malaysia is mentioned on page 25 under the State-Administered Zakat in Operation sub-topic in which the data are based on the 1970s of which the findings might be different now. Today, the state’s zakat collection is more efficient and systematic. But since the book is in its third printing edition and the articles are mostly various articles written by the authors over the years, some of the statistics are out-dated. However, it did give readers opportunity to make some comparisons between the early period and the current Islamic economic development. In the prognosis, Kuran mentioned that Islamic economics concerns and applications have been limited to Islamic banking and zakat redistributions. Why does Islamic economics fail to have major impacts? The author put forth several suggestions. One of them is the where profit and loss sharing requires acceptance of financial
risk whereas Muslims prefer security. Others include poor organization and shortage of skills in the case of profit and loss sharing of Islamic banks and lack of effective monitoring in zakat systems (p. 34). It should be noted that the problems is not just for Muslims, rather universal. People on average are not risk-takers, unless they are high net-worth individuals (HNWIs), which are rising in numbers especially in the oil-rich Gulf countries. At the end of the chapter, the author proposed several suggestions to revive Islamic economics, one of which is innovation by referring to how the Industrial Revolution became the engine of growth in the west. This was also evident because production only flourished after the world experienced the Industrial Revolution.

The second chapter of the book continues with the topic of “Islamic Economics and the Islamic Subeconomy” (pp. 38–54). Within a relatively shorter chapter, interest rate and zakat redistribution topics are revisited but at a smaller scale. The new theme introduced in this chapter is the term Islamic subeconomy. Kuran refers to the subeconomy as Islamic enterprises collectively form a subeconomy within the broader national economy (p. 50). Two factors contributed to the emergence of the subeconomy. First is the need to foster social standards and dependability. The second deals with the interpersonal trusts. Both can be seen as an element of social capital, where trusts, norms and networks are important elements that bind societies together. The chapter ends with a brief discussion on the significance of Islamic economics. There are repeated mentioned of renowned Islamic scholars such as Sayyid Abul-Ala Mawdudi, Nejatullah Siddiqi and Murat Cizaka, a Turkish economic historian (p. 53). Cizaka mentioned venture capital for entrepreneurs as the basis for Islamic banking. Siddiqi suggested that the key to Islamic economics is in positioning the Islamic vision and the Islamic economic vision has to be universal and contemporary, not “chauvinistic and medieval.”

The third chapter is titled “Islamism and Economics: Policy Prescriptions for a Free Society,” (pp. 55–81). The main focus of the essay is to suggest how policy makers should respond to Islamic economics and Islamic subeconomy. The author emphasize on the freedom to live by the rules of Islamic economics without recognizing a right to impose these rules on other in the society. Going beyond Islamic banking and the prohibition of interest, Kuran responses to the challenge of Islamism include identifying the flaws in Islamist economic agenda, the extent of support towards Islamism and their views on social problems. Sayyid Abul-Ala Mawdudi, the Pakistani thinker who founded Islamic economics in the 1940s (p. 58) said that “True Muslims...merge their personalities and existence into Islam.” On page 64,
the author posited that Islamism “carries the potential of harming the global economy” but added on page 71 that “…it can also serve as a hidden agent of economic advancement.”

The fourth chapter is on "The Genesis of Islamic Economics: A Chapter in the Politics of Muslim Identity," (pp. 83-102). This is a must read chapter for those who are new to the concept of Islamic economics and would like to know the early history of its inception. Islamic economics emerged in late colonial India in the late 1940s. There was almost no research exists on the origins of Islamic economics. According to Kuran, the idea was introduced by SayyidAbul-AlaMawdudi (1903-79), the founder of Jamaat-i Islami (Party of Islam), in India and later in Pakistan. The author described Islam as being orthopraxy (behavioural correctness) than orthodoxy (doctrinal correctness). He wrote that the designation of Islam’s major branch is “Sunni” which means orthoprax. Mawdudi’s main contribution is in his efforts to update the content of orthopraxy to meet a new challenge. Of particular interest is a short section on “The Myth of Islam’s Golden Age” (pp. 95-97). Mawdudi’s use the thirty-nine-year period of Golden Age of Islam to support his case, but failed to notice the thriving and prosperous cosmopolitan states of Ottoman empire, Safavid Iran, Muslim Spain and a few others. Outside India, major contributions in Islamic economics came from SayyidQutb (1906-1966) of Egypt who wrote on social justice. Muhammad Baqir al-Sadr (1931-1980), an Iraqi cleric wrote Iqtisaduna: Our Economics and contrasted Islamic economics with capitalism and socialism. Then came the Iranian revolution in 1978-79 that attempted to restore Islam’s roles in certain economic reforms. In concluding the chapter, the author opined that Mawdudi and his Indian companions’ perception that the Indo-Muslim community was losing its identity spurred the emergence of Islamic economics.

The fifth chapter continues with “The Notion of Economic Justice in Contemporary Islamic Thought,” (pp. 103 - 120). In this essay, the author defined the principles of economic justice inherent in Islamic economics. According to him, economic justice must conform to two general principles of equality and fairness. Then he discussed the injunctions taken to maintain the principles in the society. Finally, he suggested that an Islamic society “will inevitably contain seeds of disharmony” (p. 102). However, he was quick to point out that his analysis were derived mainly from the English written literature between 1970 and mid-1987 and the scope of justice discussed were mostly on interest ban and Islamic form of redistribution. In the concluding remarks, the author mentioned that the key difference between Islamic economics and other doctrines is in the emphasis placed on liberty (p. 120). Islamic economists assert that “in the event of conflict
between an Islamic requirement and individual liberty, it is liberty that must yield.”

In the last chapter - “Islam and Underdevelopment: An Old Puzzle Revisited” (pp. 121-147) the author touched on significance factors highlighted in the writing namely political structure, communalism, public discourse, and Islam itself. Although there are researches underway in these areas, they need to be refined to sustain economic growth and development for the ummah. The chapter starts off by presenting statistics taken from the World Development Report 1995, which include 132 countries. One of the important statistics was the fact that Muslim share of the global income is 5.98 percent which is much less than the Muslim share of global population of 19.22 percent at that time.

A more recent statistics show that the situation did not differ much in the year 2012. According to the Annual Economic Report on the OIC Countries 2012, the current 57 OIC countries as a group represents more than one fifth of the total world population (SESRIC, 2012). However, the member countries produced only 10.9 percent of the world total GDP (expressed in USD and based on purchasing power parity). Over the last five years, the OIC economies have increased its share of world output by 0.6 percentage point only. The share of the OIC countries in the total GDP of developing countries group has declined steadily which indicates that the economies have performed poorer than other developing countries in expanding their output. The last chapter addresses these issues and propose some solutions. One of the explanations is the difference between intensive and extensive growth, where the statistics above suggest that the Muslim countries are growing extensively. Extensive growth refers to the situation when population growth raises total income with no increase in income per capita. In the contrary, intensive growth involves increases in income per capita ordinarily driven by the technological, organizational, institutional, perceptual and moral changes associated with economic development. According to Kuran, it is intensive growth that is lacking in Muslim countries.

There are three possible explanations explaining the situation. First is the economic irrelevance theory. It claims that the economic fortunes of Muslims have nothing to do with Islam per se. If the economy is ready for development, Islamic beliefs and values would not impede growth. Second is the economic advantage thesis which suggests that Islamic economic provide an ideal framework for economic development which is proven by the Golden Age of Islamic civilization. The third one refers to the economic disadvantage thesis which looks at the improvements that accompanied economic growth in the relatively poor Islamic countries.
Kuran offered his own explanation of the situation. The explanation was themed under the followings: (1) Is Islam itself a barrier to development? (2) Scientific worldview of Islam; (3) Ossifications of Muslim perception and knowledge; and (4) communalism and the role of public discourse. This section is perhaps the most valuable part of the book, where the arguments are balanced and all counter arguments are well synthesized and critically evaluated. This part of the book shows the impartiality and in-depth background literature review that argued and criticised religion in general and Islam per se as possible causes of economic backwardness. Each explanation is briefly discussed in the following section.

The other two explanations addressed the issue that other than religion, individual perceptions and attitudes matters to economic evolution. Therefore, “...social circumstances raised the salience of stability-fostering religious features; ...the resulting reinterpretations of Islam helped legitimised the status quo” (p. 132).

In the scientific worldview of Islam, the author reviewed the case of Ottoman empire, IbnuKhaldun’s theory of the glory and fall of Muslim states and the static nature of the Islamic worldview. Kuran’s critically evaluated that the Muslim’s predicament was partly due to the communalist morality of Islamic economics as opposed to the individualism nature of the Christendom. However, according to him the static view of Islam is at best explaining undercover the symptom of underdevelopment but fail to specify the causes. The recurrent theme throughout the book is Kuran’s enquiry of why Muslims society do not attempt to seek wealth or why wealth creation is not the center stage of discussion: “What, exactly, kept Muslim societies from generating the ideas, experiments, and movements necessary to keep them economically powerful vis-a-vis their outside competitors?” (p. 134).

The next eight pages of the book discuss the ossification of Muslim perceptions and knowledge and communalism. Some of the examples include mistrust of novelty, growth-inhibiting values and practices and failure to identify the social structures driving Europe’s economic advances. Other factors include an educational system that limit curiosity and innovation as in ‘the closure of the gate of ijtihad’, political structure, communalism that hampered modern economic development and the growth-retarding effects of cultural beliefs. The author put forth two counterarguments to refute these claims. First, the fact that Muslims have extensive trade network in sub-Saharan Africa and East Asia. Second, the social merit of civic ties by quoting Robert Putnam’s work on social capital.
The essay’s final section proposed tentative answers to the questions of economic predicaments of Islam. Four factors are highlighted viz. political structure, communalism, public discourse, and Islam itself. The author admitted that it might not be comprehensive but it might help explain the Islamic world’s long economic decline in order to find ways to overcome it. After finishing the entire six chapters of the book, it is difficult to discern Kuran’s train of thoughts. Sometimes his arguments were so against Islamism that it was a lost cause. But on other pages, he offered convincing arguments supporting the doctrine. It was not a consistent rejection of Islamic economics nor does one find a full support of the system. In most parts, however, the criticism was crystal clear. But at other places, his sympathy toward the idealism was apparent and his arguments solid. But one should not forget that the author is attempting to find solutions to cure economic backwardness of the Muslim nations. This is in and by itself a vested interest in Islamic economics and an attempt to help solve Muslim predicaments. It is a laudable effort and thought-provoking as usual.

Gregory Mankiw’s (2013) first sentence in his “Defending the One Percent” article was “Imagine a society with perfect economic equality.” The one percent refers to the richest 1 percent of the population in the particular society. Then he suggests what if the egalitarian utopian state is disturbed by an innovative entrepreneurs such as Steve Jobs with his iPod, J.K. Rowling with Harry Potter books or Steven Spielberg with his blockbuster movies? The society then has to decide how should the entrepreneurial disturbance outcome alter public policy? According to the author, the key issue is to what extent the top 1 percent income reflects high productivity. It is a positive economics. He concludes the article by suggesting that the society doesn’t ire over the next Steve Jobs striking it rich, but merely wanting to make sure he strikes it rich in a socially productive way. As Mankiw put it, “noteverything can be justified by the positive economics whereby the question is a normative one indeed”. Moral intuition, as suggested by both Mankiw and Kuran, is needed to address income distribution issue. Mankiw ends his article with a reminder that “…fundamentally normative conclusions cannot rest on positive economics alone.” I think the last sentence describes Islamic economics quite well.