

Research Paper

THEORETICAL DEVELOPMENT AND SHORTAGES OF CONTEMPORARY ISLAMIC ECONOMICS STUDIES Research Programmes and the Paradigm of Shared Prosperity

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ABSTRACT

This report describes the development of contemporary Islamic economics, from the 1960s-1970s onwards, as a collective enterprise of research achievements whose distinctive object consists in the provision of answers to human economic problems through solutions that are grounded in Islamic religion. By referring to the broad range of research programmes that have been undertaken in the last few decades under this discipline, the report assesses the coherence of Islamic economics epistemology. In particular, on the one side it critically evaluates which rationales underlie the moral economy of Islam; on the other side it argues that a more consistent methodology can be identified in a paradigm of shared prosperity that replaces the postulates of scarcity, division and competition of conventional capitalism with axioms of abundance, distribution and cooperation, derived from the tawhidi framework of Islam. Accordingly, suggestions are advanced to overcome persistent weaknesses in Islamic economics studies both with regard to the solutions that its paradigm can offer within the changing nature of the global economy, and their effective implementation in the diverse sociologies that belongs to the contemporary practice of Islamic finance. To conclude, next to the recognition of the *Truth* that Islamic economics embodies for Muslim believers, the report also highlights the truth-s that it holds for non-Muslims as an alternative to conventional capitalism, and the benefits that it can bring about.

Keywords: Islamic economics, epistemology, research programmes, moral economy, tawhid, paradigm, sustainable development, shared prosperity

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Research Center for Islamic Economics (IKAM) which was established within ILKE Association for Science, Culture and Education in 2016, aims at promoting a new perspective in economic theorizing and its application enabling. IKAM, which organizes theoretical and empirical research, publications and , education and training activities, aims at supporting researchers, business world and policymakers with its research initiatives. Thus, IKAM hosts many activities in the field of Islamic Economics to introduce and increase acceptability of the field in public. In this context, IKAM reports; a serial publication, is an attempt to share the research results in the field of Islamic economics.

Introducing This Report: Is Islamic Economics a Real Alternative to Conventional Economics?

The exponential growth of academic interest towards Islamic economics studies (both within and beyond the Muslim world) is an indubitable fact. Publications in the matter are spreading; international conferences organized in the field have increased in the last few decades; the subject has become a standard reference, at least as an example of non-Western economic theory or of an ethical approach to business, in academic courses of international economy, political economy, post-colonial and development studies, and ad hoc seminars, workshops, classes and university degrees are dedicated to Islamic economics today.

Despite the remarkable results that the discipline has achieved along five or six decades of its formal existence (with a systematization of knowledge beginning in the 1960s-1970s, while the first “coinage” in English of the label “Islamic economics” by Hamidullah dates back to 1936, as reported by Islahi, 2017: see also note 2 of this report), a second indubitable fact is that a consensus definition of “Islamic economics” has not emerged yet. Furthermore, a variety of contents and methodological approaches still overlap each other: contents and approaches that occasionally reflect more the specific concerns of some Muslim economists – in terms of criticism against the excesses of the global capitalist market; the commitment towards the economic renaissance of the Muslim world; or the moralization of social life, and subsequently the proposal of a *Shari’ah*-based economy –, rather than the development of a distinctive Islamic approach to economic science *per se*.

Revisiting the origins of contemporary Islamic economics studies as a collective enterprise of research grounded in a reaction both to socialism and capitalism in the light of *Shari’ah* teachings (§ 2), this report aims at a critical assessment of the theoretical development of Islamic economics in terms of coexistence of complementary research programmes, as well as of the claim that a “paradigm shift” can be inferred when the *Truth* of Islam is embraced to conceptualize an alternative approach to economic problems and their solutions (§ 3). In summary, these pages will elaborate on these two following interrelated questions: can there be an economics based on religion? And, subsequently, is Islamic economics a real alternative to conventional economic thinking?

In this regard, the study will highlight the “scientific revolution” that Islamic economics implies by advancing a paradigm of “shared prosperity” grounded in the abundance of resources given by God, their distribution among economic agents (*khalifahs*) and the cooperation within a community-oriented market governed by the objectives (*maqasid*) of *Shari’ah* (§ 4). Taken this “paradigm shift” as the key of Islamic economics as grounded in Islamic ontology, epistemology and deontology, the report will also assess how much this “theory” is currently put in “practice” in today’s global economy and, following this direction, some suggestions will be given to overcome the shortages in the literature that have been caused by the under-consideration of the diverse sociologies that characterize the contemporary practice of Islamic finance (§ 5).

To conclude, some final remarks will address the concurrence of the (religious) *Truth* of Islamic economics for Muslim believers and the (epistemological) truth-s that the discipline holds for the progress of economic science, and how the coexistence of the former and the latter should be recognized to promote the benefits of the Islamic economics paradigm among Muslims and non-Muslims alike (§ 6).

Back to The Origins of Contemporary Islamic Economics: Defining a Research Enterprise Grounded in The Religion of Islam

While there is no doubt that a centuries-old tradition of intellectual elaboration on social matters characterizes the Islamic civilization, from the ethical and legal dimension of the science of *fiqh* (the ‘understanding’ of the revealed *Shari’ah*) to the contributions to sociology, history and economics by great thinkers like Ibn Khaldun, Ibn Taymiyya and Al-Ghazali, the origins of contemporary Islamic economics studies, as a collective enterprise of research achievements which is recognizable (as well as recognized) within academic circles, cannot be traced back beyond the ‘60s and ‘70s of the last century. I believe that the point needs some preliminary attention, before reviewing if a coherent methodology characterizes or not the story of this collective enterprise: namely, that a research community looking at a resolution of economic problems in accordance with the values of *Shari’ah*, with a related systematization of knowledge, *de facto*, did not exist before the first half of the 20th century.

Of course, as said above, this is not to deny that a centuries-old tradition of intellectual elaboration on social matters cannot be found in the Islamic civilization: on the contrary, not only has the richness of this elaboration given rise to the distinctive normative science of *fiqh* – described by Linant de Bellefonds (1965, p. 18) as “ce monument de l’esprit humain digne de la plus entière admiration, qu’est le Droit musulman”¹ –, but great Muslim thinkers of the past are also often quoted by contemporary scholars of Islamic economics to sustain their arguments, reasoning and solutions. More in general, with reference to the world’s intellectual history, one has to recognize the debt of the European culture towards the Muslim world through the Arab transmission of ancient Greek thought (Gutas, 1998). With specific reference to economic science, the “treasure” of medieval and pre-modern Muslim intellectual production has been also outlined both by Ghazanfar (2003) – by showing how medieval thought actually fills what Joseph Schumpeter labelled as a “Great Gap” in world economic history – and Islahi (2005; 2014). But if there is, without any doubt, a great chance for contemporary Islamic economics studies to glean inspiration from those sources by revisiting their conceptual background and normative orientations, the claim that a centuries-old research tradition exists in the field of Islamic economics would be erroneous, for the simple reason that, historically speaking, a continuity of collective research achievements, organised in a coherent body, from that time cannot be found, *de facto*, in available academic literature.

This remark allows to better specify the definition given above of contemporary Islamic economics as (i) a collective enterprise of (ii) research achievements (iii) which is recognizable (as well as recognized) within academic circles and (iv) has as distinctive object of study i.e. the search for solutions to human economic problems that are grounded in Islamic religion, morality and its worldview.

In this sense, if *single* Muslim scholars of classical times did provide remarkable contributions to the study of economic issues involving the theory of value, market, production, consumption, distribution, income, taxation, money, property and so on (as effectively shown by Islahi, 2014), their *individual* effort did not lead to a comprehensive and continuous “research tradition” nor to a systematization of knowledge (both being needed to recognize the conceptual autonomy of a certain academic discipline).

Correspondingly, before the '60s and the '70s of the last century no consistent traces in the literature can be found with regard to a whole of conferences, workshops, Ph.D. dissertations, academic journals and courses specifically devoted to the relationship between Islam and economics, or using "Islamic economics" as official denomination of their object of investigation. Indeed, if one can certainly mention, next to the aforementioned Hamidullah's pioneering contribution of 1936, Maududi's lecture on *The economic problem of man and its Islamic solution* (1941; text published in 1947), Siddiqi's *Public finance in Islam* (1948), Taleqani's *Islam and ownership* (1951; translated from Persian into English in 1983), Nabhani's *The economic system of Islam* (Arabic original version 1953; available in English 1996) and the influential *Iqtisaduna* ("Our economics") by Sadr (1961) as founding documents of modern Islamic economics,² a collective dimension of research achievements (both in terms of people involved in their elaboration, and impact, systematization and dissemination of research outcomes) was reached only during the '70s, with the first international conference on Islamic economics and finance in the Sunni world being organised by the King Abdulaziz University in Mecca in 1976.³ As far as the origins of Islamic economics literature is concerned, a handy classified bibliography of works in English, Arabic and Urdu up to 1975 can be found in Siddiqi (1978).

Such collective research enterprise, as we are going to see, has greatly developed in quantity as well as in quality in the last decades (see next section, § 3), giving rise to the comprehensive discipline of "Islamic economics", towards which books, conferences, journals, courses, networks, academic associations and university degrees are today dedicated. But if this discipline is certainly *recognizable* in its factual existence (since a collective dimension of research achievements can, *de facto*, be found), critical voices have been raised (and do persist) regarding its *scientific* assumptions and background, especially outside the Muslim world. Furthermore a consensus definition about *what* Islamic economics is has not emerged yet even among Muslim scholars. In a nutshell, while recognizable, Islamic economics has *not* been fully *recognized* yet within academic circles in its conceptual elaboration as a contribution to economic science *autonomous* from mainstream Western economic thought. An explicit rejection of this scientific dimension has been repeatedly asserted by Kuran (1986, 1997, and in his book of 2004 on *Islam and Mammon*), who has depicted Islamic economics principally as a vehicle for asserting the primacy of Islam as a religion, rather than forwarding concrete proposals of economic reform.⁴ In fact, these allegations against a field being driven basically by dynamics of cultural identity and religious ideology (see, for instance, also Philipp, 1990),⁵ and sometimes used by national governments simply to strengthen their political legitimacy,⁶ are still widespread within academic circles. But, as mentioned above, critical evaluations about "what is wrong with Islamic economics" have been risen also within the Muslim world, where Khan, M.A., for instance, describes the subject as consisting "mostly of theology on economic matters" (2013, p. 7), and not as an authentic scientific endeavour which can be an alternative to conventional economics.⁷

The issue of the universal recognition of the scientific nature of Islamic economics also derives, to a certain extent, from its distinctive object, and namely the search for solutions to human economic problems grounded in the religion of Islam. Indeed, if the *Shari'ah* has been revealed to the Prophet (PBUH) through the *Qur'an* as a Message for all the mankind, and holds an intrinsically universal dimension for Muslim believers, it is a fact that no more than the 25-30% of the world population recognizes today Islam as *their* religion.

This implies (at least) a problem of “axiomatic communicability” of the research achievements of Islamic economics, in terms of their capacity of dissemination beyond the Muslim world (on the point, see § 6), if not (subsequently) the possible rejection of these results as inherently dogmatic and culturally-oriented, hence *not even recognizable* as part of a value-neutral economic approach, by non-Muslim scholars. In actual fact, the reference to the religion of Islam does represent a *leitmotiv* in the assertion of the “moral superiority” of the so-called *homo islamicus* in comparison with the conventional *homo oeconomicus*, and can be found in the classics of Islamic economics (the “founding fathers” of Islamic moral economy, as defined by Asutay, 2007) such as Ahmad (1979), Chapra (1985, 1992), Siddiqi (1981) and Naqvi (1981).⁸ This moral component is certainly constitutive of the origins of Islamic economics, as a reaction to the failure of Western inspired developmentalist theories (Asutay, 2007, p. 5). At the same time, for *which* reasons this “Islamic alternative” followed by Muslim economists should be universally *recognized* as well as *practiced* in the global market by non-Muslims? And, *a fortiori*, can the assertion of moral values, grounded in a religious doctrine, found, from a *scientific* perspective, an alternative *paradigm* for economic studies?⁹ In this regard, it cannot be doubted that the moral and religious foundations of Islamic economics lead to analyse the notions of property, *zakat*, market, justice, wealth... not only in the light of criteria of efficiency and profit (as in the Western standard approach), but also under a broader dimension of spiritual salvation. Moreover, this relation between economics and religion cannot be simply perceived as a “Muslim exception”, since a “spirit” can be found also in conventional capitalism (in relation to the Protestant ethic, according to the famous interpretation by Weber, 1958; first edition in German language in 1904-1905), as much as the Christian medieval theology did contribute to the “redemption” of the usurer and the transformation of the social function of money lending into interest-based modern banking (see on the point the illuminating writings by Le Goff, 1986, 2010; and Nelson, 1949) (Cattelan, 2017, pp. 277-278). As we are going to see in the next sections of this report, if a variety of research programmes characterize Islamic economics as a discipline in relation to the morality and the religion of Islam (§ 3), this range of topics (the *what* of the scientific investigation) seem to be still lacking an appropriate coherence about *how* the search is conducted, i.e. of a common methodology shared by its promoters (§ 4).

This need for a common methodological framework as fundamental background for any scientific discipline suggests referring to a classic of science epistemology, namely *The structure of scientific revolutions*, published by Kuhn in 1962. In his book Kuhn describes a *paradigm* as a whole of “universal recognized scientific achievements that, for a time, provide model problems and solutions for a community of practitioners” (p. 10). As can be easily seen, the notions of (i) community, (ii) achievements, (iii) recognition, and (iv) solutions reflect the elements covered in the previous points, and certainly permit to speak of Islamic economics as a discipline existing in the contemporary Muslim world. But, next *what* is observed (i.e. the answers that Islam provide to solve human economic problems), Kuhn highlights that a *paradigm* also requires a coherent *how* (i.e. a consistent methodology) through which the research is conducted: in other terms, “a shared whole of substantial assumptions and methodological techniques which assures, according to its community members, the attainment of valid propositions” (Cattelan, 2013a, p. 4).

As well-known, in the descriptive model of science growth offered by Kuhn, human knowledge usually adheres to mainstream theories, whose postulates, axioms, dogmas and values, are shared in

the context of *normal science*. Scientific advancements occur in a *revolutionary* way when the accepted paradigm is drastically challenged and shifted (e.g. from the Ptolemaic geocentric to the Copernicus' heliocentric theory; from the Newtonian to Einstein's physics; and so on). The ways of understanding the reality by different paradigms are largely incommensurable, to the extent that, as Kuhn remarks, "the proponents of competing paradigm practice their trades in different worlds" (1962, p. 150).¹⁰

If one moves from the strict domain of natural sciences (towards which the "revolutionary" approach by Kuhn is mainly addressed) to that of social sciences, where concepts are more culturally-related and intrinsically polysemous, a multiplicity of "research traditions" (in this sense Laudan, 1977) and "research programmes" (Lakatos, 1970) usually coexist, and concur in their complementary dialogue to define the collective achievements of a certain discipline.

Embracing the broader connotation of "research programmes" in the study of Islamic economics, the next section (§ 3) will provide an outline of the growth of its subjects of investigation in the last few decades, commenting on the role of the religion and moral economy of Islam in the identification of their contents, especially in a dialectical perspective against Western capitalism. Later on, the report will evaluate if, as a whole, this vast range of concurrent research programmes have been able (or not) to give rise to a "paradigm shift" from conventional economic theory, as is usually claimed by the promoters of Islamic economics. As we are going to see, the evaluation of this claim will require a more deep-rooted consideration of the socio-human assumptions that belong to the ontology and deontology of Islam, and the "shared prosperity" promised by God to His believers (§ 4).

The Development of Islamic Economics Research Programmes: The Moral Economy of Islam and The Quest for a Coherent Paradigm

As discussed in the previous section (§ 2), what has differentiated Islamic economics from conventional economic thinking, from its inception, has essentially been the proposal of the morality of Islamic religion as an alternative to the failures both of the socialist and capitalist forms of development, due to their flawed assumptions about human nature.

The literature of Islamic economics studies has grown at an exponential rate from the '80s onwards: if the total number of publications, especially written by Muslim authors, were about 680, of which the 30% were in Arabic, the 33% in English and the 27% in Urdu (Philipp, 1990, p. 117), in the last two decades, in relation to the rise of the Islamic financial market (see later, § 5), the literature has multiplied its figures, making hard to list a complete bibliography. At the same time, research centres explicitly dedicated to Islamic economics studies have spread at a global level, both within and beyond the Muslim world: as examples, one may cite, in the Middle East, beside the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank, the Islamic Economics Institute of the University King Abdulaziz in Jeddah (Saudi Arabia); in Asia, the International Centre for Education in Islamic Finance (INCEIF), established in Kuala Lumpur in 2005 by the Central Bank of Malaysia; in Europe, the Durham Centre for Islamic Economics and Finance (UK), The Markfield Institute of Higher Education (UK) and the Saudi-Spanish Center for Islamic Economics and Finance (SCIEF) (IE Business School, Madrid); and, recently, the Research Center for Islamic Economics (IKAM) founded by the Science, Culture and Education Association (ILKE) in Turkey.

The development of Islamic economics studies as a collective enterprise of research achievements can be comprehensively described, from an epistemological perspective, in the light of the notion of “research programmes” as introduced in the field of philosophy of science by Lakatos (1970; see also 1978).

Lakatos’s philosophical approach is a reaction both to Popper’s *falsificationism*, according to which the progress of science derives from the replacement of older theories with ones which hold greater explanatory power,¹¹ and the descriptive model of science progress offered by Kuhn’s *normal science* and *revolutions* (Kuhn, 1962), as mentioned above in § 2. As an alternative both to Popper’s model (that Lakatos found impractical and often non practiced) and Kuhn’s revolutionary approach (where a *paradigm* substitutes another one), *research programmes*, while sharing a *hard core* that is immune from confutation and revision, do coexist in the activities of a professional network of scientists, that can adopt auxiliary hypotheses and advance amendments in order to compete for the *theoretical progress*. The “hard core” of theoretical assumptions shared by the concurrent research programmes cannot be abandoned or altered without abandoning the programmes themselves.

In the light of the explanation of science progress offered by Lakatos, there is no doubt that in the case of Islamic economics the “hard core” corresponds to the moral economy that can be derived from the *Truth* of Islam, as revealed through the *Shari’ah* for the benefit of all mankind: *Truth* which belongs to the reality of monotheism (*tawhid*) as God’s justice. At the same time, concurrent truth-s (i.e. diverse interpretative approaches and auxiliary instruments of analysis) have characterized the development of Islamic economics in the last decades (on the conceptual relation between the *Truth* of Islam and the truth-s of Islamic economics, also in the light of the challenge of “axiomatic communicability”, see also the conclusions of this report, § 6).

Which subject matters, then, have been touched by Islamic economics scholarship since its inception? While, till the ‘80s many titles were addressed both against the systems of Marxism and capitalism, with the fall of communism as an economic doctrine, the literature has concentrated on the elaboration of a doctrine of commercial exchanges and the search for solutions to human economic problems in compliance with the teachings of Islam by denying, in particular, the validity of interest (in the sense of any illicit profit from lending money related to the notion of *riba*: see Saleh, 1992), following the famous passage of (Quran 2:275)

Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, Trade is [just] like interest [*riba*]. But Allah has permitted trade and has forbidden interest [*riba*]. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.

Apart from the theory of *riba* (whose relevance has become particularly popular also beyond the Muslim world due to the growth at a transnational level of the market of Islamic banking and finance: on the matter, see here § 4; for an overview of this evolution Warde, 2000; Vogel & Hayes, 1998), Islamic economics literature cannot be reduced to an “Islamic commercial jurisprudence”, in the sense of the application, in general, of the precepts of *fiqh al-mu’amalat* or, in particular, merely linked to the practice of Islamic finance as an interest-free market.¹² In fact, the reference to classical *fiqh* and the use of Arabic names of nominate contracts taken from the Islamic legal tradition (e.g. *musharakah*,

mudarabah, ijarah...) have been actually criticised as a “market-strategy” to replicate conventional finance through “Islamic analogues”, giving rise to a regulatory arbitrage that is substantially hostile to the spirit of *Shari’ah* principles through a “form-above-substance approach” that dominates the industry, as noticed by El-Gamal (2006, p. 2).¹³

In this sense, Islamic economics studies can be better depicted as a sum of concurrent research programmes (in Lakatos’s terminology) upholding Islam as the “Right Path” (the *Shari’ah*) for human “salvation”, but also “prosperity” and “welfare” (*falah*), both in a secular and spiritual perspective. Along this Path, Islamic commercial jurisprudence (comprising not only the prohibition of *riba*, excessive risk, *gharar*, and gambling, *maysir*, but also the recognition of the social dimension of entrepreneurship and instruments of charity and poverty alleviation, such as *zakat*) provides the normative roots for an economic justice (*’adl*) within which human “rights” (*huquq*) reflect, incorporate, make “real” the *Truth (Haqq)* of Islam as expressed in the unity of the creation and God’s monotheism (*tawhid*), with a subsequent balance (*mizan*) between natural resources, human needs and desires. In this frame, the human being is conceived as God’s agent, His vicegerent on earth (*khalifah*), who is responsible for acting in accordance with the objectives (*maqasid*) of *Shari’ah*. Thus, within this *tawhidi* framework, Al-Makarim defines Islamic economics as “the science that deals with wealth and its relation to man from the point of view of the realization of justice in all forms of economic activities” (1974, p. 25), while Khan, M.A., identifies its fundamental objective in the “study of human *falah* [“salvation”, “prosperity”, “welfare”] achieved by organizing the resources of Earth on the basis of cooperation and participation” (1984, p. 55).

Embracing these paradigmatic assumptions (on which our reflection will come back in the next section, § 4), Islamic economics has covered in the last decades, beyond issues that can be directly related to Islamic commercial jurisprudence (*fiqh al-mu’amalat*),¹⁴ a range of aspects, from micro-to macro-economics; institutional economics; the nature of property rights, capital and labour in an Islamic-oriented economy; rules of government (*siyasa*) and political economy; accounting and auditing;¹⁵ social finance; business ethics; risk management and regulation of Islamic financial institutions; public finance and the role of *zakat*, all of which have altogether been revisited in the light of the “hard core” (Lakatos) of the *Truth* of Islam.

The variety of the research programs undertaken by Islamic economics literature can be seen by referring to the topics covered by the 353 papers presented in the 11th International Conference on Islamic Economics and Finance, held in Kuala Lumpur (Malaysia) on 11-13 October 2016. These papers have been collected into 8 principal categories, with respective sub-topics, namely:

1. The *Shari’ah* and, economics and finance (37 papers): the relevance of *fiqh* issues, persistent problems of *Shari’ah* governance and the practice of the moral economy of Islam; governing standards for Islamic financial engineering and innovation; securitization in Islamic finance and its *fiqh*-related challenges;
2. History, philosophy, institutional aspects and critique of economics, Islamic economics and finance (23 papers): issues of theology and ethics in conventional and Islamic economic thinking, from a comparative perspective; re-vitalization of the promise of Islamic moral economy; search for a *maqasid*-based approach; emergence and origins of Islamic economics; investigation of the historical roots of conventional banking and Islamic financial institutions;

3. Theory, practice and policies of Islamic economics and Muslim countries (69 papers): the reference to persistent issues of economic development in the Muslim world; the political economy of the OIC member countries; the informal economy as neglected area in Islamic economics; the theoretical model of Islamic macro-economics and its applications; the sociology of Islamic banking and the social change in the Muslim countries;
4. Basic needs, poverty, socially responsible investments and socioeconomic justice and development (45 papers): wellbeing, welfare and sustainability in a globalized world; the dramatic problem of poverty and its alleviation; re-distributive justice in its local and global dimension; the growth of the green economy; the link between migration flows and economic justice; the rediscovery of traditional institute of Islamic commercial jurisprudence for poverty reduction;
5. *Zakat*, *waqf* and Islamic microfinance and their socioeconomic role in development (54 papers): governance of *waqf* foundations; potentials of using *waqf* properties and funds in Muslim societies to stimulate economic growth; Islamic microfinance and sustainable development; comparison between traditional cooperative institutes of Islamic cooperation (e.g. *bait al-mal wa-tamwil*) and Islamic crowdfunding; *waqf*-based social micro-ventures; *zakat* and its objectives;
6. Islamic corporate finance and economic analysis of Islamic banking and capital markets (35 papers): moral economy, Islam and corporations; Islamic entrepreneurship; Islamic finance and technology; performance of Islamic banking in comparison with conventional banking; Islamic home financing; screening, monitoring and compliance; Islamic indexes in conventional stock exchanges; design of *halal* certificates for the Islamic industry;
7. Risk management, CSR (corporate social responsibility) and regulatory/legislative framework for Islamic financial institutions and markets (58 papers): bank capital adequacy; liquidity risk management; governance, board of directors, *Shari'ah* supervisory boards and risk management; *takaful* and insurance; Islamic wealth management and corporate social responsibility; macro-prudential regulation and financial stability;
8. Business ethics, management, marketing and accounting from an Islamic perspective (32 papers): moral economy and distributive justice in an Islamic framework; customer management and transparency; stakeholders' rights; marketing effectiveness of Islamic and conventional banks; media independence and corruption as a business operation problem in Islamic countries.¹⁶

Looking at this broad variety of topics and methodological approaches (with their own auxiliary hypotheses and theoretical amendments), one may raise the question if *something* called "Islamic economics" and its "moral economy" can actually be *real* alternatives to mainstream economics (§ 1), or should be simply seen as cultural-oriented reactions to the Western world (Kuran, 2004) as a "theology on economic matters" (Khan, M.A., 2013, p. 7).

In the attempt to offer an appropriate reply to this question, the next pages of this report will reconsider from a critical perspective the concept of "moral economy" as applied in Islamic economics studies, and underline how the quest for a *scientific autonomy* from mainstream economic thinking necessarily requires a conceptualization of a *Shari'ah*-rooted *paradigm* (in Kuhn's terminology) not in a dialectical, but a dialogical approach to conventional economics, that is to say by deriving

Islamic economics directly from the ontology and deontology of Islam, rather than in opposition to capitalism (Cattelan, 2013a). To this aim, as we are going to see in a while, recent theoretical developments in Islamic economics have stressed the need to refer to the monotheistic nature of knowledge and the unity (*tawhid*) of the creation as *epistemological* axiom, so to insert human agency (*khilafah*) within this unity and to evaluate the moral economy of Islam economic justice in the light of a paradigm of “shared prosperity” (*falah*).

It is in this direction – that is to say by moving from the *centrifugal* development of research programmes (as briefly depicted above) to the *centripetal* roots in God’s sovereignty, which shapes the (de-)ontological unity of Islam –, that the “hard core” of Islamic economics can be actually recognized as a “paradigm shift” whose assumptions *reverse* the logic of conventional capitalism, giving rise to a “scientific revolution” in economic thought.¹⁷

Grounding Islamic Economics Methodology in The *Tawhidi* Framework: The “Scientific Revolution” of a Paradigm of Shared Prosperity

“Over more than last 40 years we have been moving ahead but blindly, without a clear vision as to where we want to be” (Khan, M.F., 2013, p. 238). This desolate judgement, coming from a well-known scholar in the field of Islamic economics, witnesses the persistent dissatisfaction within a research network ((i) made of people (ii) and scientific outcomes) that (iii) not only is not fully recognized yet, outside the Muslim world (the problem of “axiomatic communicability” mentioned in § 2), but (iv) whose object – as well summarized by Haneef (2005, p. 46), who described *what* Islamic economics does as “[a]n approach to interpreting and solving man’s economic problems based on the values, norms, laws and institutions found in, and derived from all sources of knowledge” [of Islam] – still seems to suffer from (v) a lack of methodological coherence about *how* to conduct research, in the sense of the adoption of a common “paradigm” whose proponents “practice their trades in [a] different world” (Kuhn, 1962, p. 150) from conventional economic thinking.

It is interesting to note that in his article Haneef (2005) makes the same question (“can there be an economics based on religion?”) from which this report has moved at the beginning of the discussion (see § 1), without entering specific problems of philosophy of science that, on the contrary, have been highlighted in these pages. In fact, as shown in § 3, there is no doubt that Islamic economics scholarship has broadened its enterprise through concurrent “research programmes” (Lakatos, 1970 and 1978) that assume as their primary “hard core” the “world” of Islam (in the sense of a whole of religious, ethical and moral assumptions that relate to the recognition that “There is no god but God, and Muhammad (PBUH) is His Prophet” – i.e. the *shahada*, “testimony of faith” in the oneness (*tawhid*) of God). But can this “religious/moral world” give rise to a “scientific world” (as in the sense meant by Kuhn) where *trades* (i.e. research endeavours) are *practiced* in a *methodologically* different way from the conventional world of mainstream economics? And, subsequently, how many of the research achievements of this “world” (certainly *recognizable* today as a collective literature) can be actually *recognized* “abroad”, in the “kingdom” of Western economic thinking?¹⁸

Indeed, despite valuable efforts being made to underline that “research and publications in the area of methodology of Islamic economics is very significant for a meaningful development of the

discipline” (Haneef & Furqani, 2011, p. 1), with a clear outline of the progress in the subject (*ibidem*), it seems to me that the “scientific revolution” forwarded by Islamic economics has not been *coherently* defined yet, especially in the “paradigm shift” (Kuhn, 1962) of its *rational* assumptions in dealing with economic issues. A “rationality” which is not intended here, of course, as an “empty secular box”, has to be understood in the frame of the anthropology of Islam, i.e. the nature of the human being according to Islamic religion, and then has to be effectively communicated “abroad”, to be beneficial both to Muslims and non-Muslims.

Commenting on the construction (*rectius*, the attempt of a construction) of Islamic economics as an alternative methodology to conventional capitalism (and socialism) requires to go back to the historical roots of the discipline (that this report has located in the ‘60s of the last century: see § 2), and to consider this construction (historically speaking) a result of several convergent factors, such as (a) the end of colonialism and the search for a re-discovered Muslim identity in Arab countries, Iran, South-Asian regions;¹⁹ (b) the oil crisis of the ‘70s, with the accumulation of capital that has permitted the Arab countries to exercise a new economic autonomy and, subsequently, broad funding to support both Islamic economics, as a research enterprise, and Islamic finance, as a transnational market;²⁰ (c) issues of political economy, where Islamic economics and finance have been used by the governments of Muslim countries to strengthen their political legitimacy (Kuran, 2004; Warde, 2000); (d) the growth of an intellectual movement towards a model of development as an alternative both to Marxism and capitalism (as appears in the first texts of Islamic economics: see § 2).

As already remarked (see (iv)), the “story” of *this* construction of Islamic economics has mainly been grounded in a *moral economy* approach, based on the reaffirmation of the ethical nature of the human being as a religious agent in Islam (*homo islamicus*), in opposition to the secular rationality of the *homo oeconomicus*, with the consequent normative differentiation of this religious agent from the conventional actor made through the teachings of Islam (referring, for instance, to the prohibitions of *riba*, speculation, gambling, and *fiqh* rules).

But, at this point, I do believe that in order to proceed with *the* construction of an autonomous paradigm for Islamic economics, a more critical evaluation of the role of the “moral economy of Islam” is required, both from an epistemological (as we are going to do here) and sociological (see next section § 5) perspective.

To this aim, clarifying the meaning of “moral economy”, to which the previous pages have referred, becomes a necessary step.

If prior to the eighteenth century there was no notion of “economics” as a *thing* (Adam Smith’s *Wealth of Nations* of 1776 is conventionally considered as the first text of “economic science” as an autonomous discipline in the West),²¹ the concept of “moral economy” is quite new in Western economic history, and was made popular by historian Thompson only in 1971 (see also Thompson 1963, 1991) with reference to the English working class. The term, in actual fact, was already used by various authors from the 18th century onwards, with reference to the link between economic and moral concerns in the government (and governance) of the market. By revisiting Thompson’s definition of moral economy, in a recent article Götz (2015) comments on the broad meaning that the phrase holds in relation to current approaches that focus on welfare, humanitarianism and the civil society, and how the concept is certainly helpful today to clarify alternative ways of “utility maximisation”

through the construction of “altruistic meaning for economic transactions”. Accordingly, he notes how

‘for centuries moral economy has been endowed with a more universal meaning. It has served as a synonym either for a divine order given to the world or for the human condition. Today it offers an antithesis to the ‘rational choice’ imperatives that conflate rationality and utility maximisation in a crude material sense and dominate the present political imagination (Götz, 2015, p. 147).’

Thanks to a rich bibliography in Western literature (where no comparative reference, unfortunately, is made to the Muslim world or Islamic economics), in his article Götz surveys the multifaceted usages that this phrase – joining two concepts as general as “moral” and “economy”, “since the era in which this coupling first became thinkable, as the pendant of political economy” (Hann, 2016, p. 2) –, has incorporated in a universe of sense (the “world” of contemporary capitalism) where “morality was detached from the notion of economy in the middle of the eighteenth century, since its signification was no longer self-evident. [And how it] ... provided a reconciliation of the two spheres of human action” (Götz, 2015, p. 149).²²

The lack of any reference to the “moral economy of Islam” by Götz can be explained considering that his search deals with the history of Western economic thought (that is to say, in the precise context where “morality was detached from the notion of economy in the middle of the eighteenth century”). But, to ask it *tout court*, does the notion of “moral economy” make sense in the (semantic) “world” of Islamic economics?

Probably not. In fact, one may even doubt that the phrase “Islamic moral economy” can be of any help (*epistemologically speaking*), since, *by definition*, economy is grounded in morality of Islamic economics. In other terms, in a “world” where morality is *not* detached from economy, there is *no* need to rectify economics through morality. Besides, as noticed by Hann (2016) with reference to Fassin (2009), in discussing this matter, one should also be conscious of how much the concept of moral economy in contemporary academic literature “has been trivialized through its faddish application to almost everything (Christopher Hamlin’s “moral economy of the aquarium”, published in the *Journal of the History of Biology* as early as 1986, is a nice example)” (Hann, 2016, p. 3). Considering this, using the label of the “moral economy” as the epistemological background for Islamic economics appears to me of little help, if not conceptually wrong.

Within this frame, I have already criticised the ethical approach to Islamic economics as upheld by the “moral economy of Islam”, referring both to Kuhn’s notion of paradigm and to property right theory (see Cattelan 2013a; 2013b; 2013c; 2017). In fact, in the “faddish application [of the notion of moral economy] to almost everything”, Islamic economics

is unconsciously reduced to a sub-category of the loose realm of ethical investments... lacking in autonomous rationality, while conventional economic paradigm, on the background, remain[s] unquestioned: here, Islamic values *rectify*, but do not substitute, conventional rationales; better, the very existence of *Shari’ah* economics... [in the approach of the moral economy of Islam] logically depends on the persistence of the conventional paradigm, being the ‘injection’ of Islamic religious values simply conceived as a ‘moral’ constraint to Western individualistic attitude in an *ana*-logical relationship with it (Cattelan, 2013a, p. 5; italics in the original text).

This criticism towards the real utility of the concept of “moral economy of Islam”, in order to

provide a solid epistemological foundation for Islamic economics studies, imposes to bring our reasoning back (again) to the two key questions from which this report has developed. First, is Islamic economics a *real* alternative to conventional economics that can be universally recognized, as well as practiced in the global market? And second, *a fortiori*, can there be an economic *paradigm* based on religion?

In the Islamic economics literature, an important step forward in replying to these questions has been recently made through revisiting the fields of morality and ethics as *epistemological requirements* in a comparative perspective – that is to say by delimiting the rationales of the “moral economy”, with its inherent epistemological detachment between “morality” and “economy” (see above), and by replacing it with the analytical inquiry that follows their *epistemological re-attachment* that derives from the monotheistic unity of the creation and knowledge, as typified by the Islamic concept of *tawhid*. In the challenge to mark the distinction between (conventional) and (Islamic) “moral economy” – where the “moral” and the “economic” are respectively *separated* and *integrated* –, Choudhury & Bhatti (2017) speak of “heterodox Islamic economics” as the “emergence of an ethico-economic theory”. In actual fact, their proposal (which reassumes concepts already developed by Choudhury in a variety of works: see for instance Choudhury 2006, 2007 and 2016) – that is to say the *epistemological integration* of morality and economics as *prerequisite* to develop the methodology of Islamic economics through the *tawhidi* framework – should be actually seen as the *only* “orthodox” (hence, the “right”) path to this aim.

In an oft-quoted passage, reported also above in the previous pages, Kuhn evocatively remarks that “the proponents of competing paradigms practice their *trades* in *different worlds*” (1962, p. 150). Here the double meaning that “trades” can assume for our reasoning (with regard both to the theoretical foundations of Islamic economics – to which Kuhn refers when speaking of “paradigms” –, and the practice of commercial “trades” in the market) appears particularly functional to further clarify why the practitioners of an Islamic eco-system *re-contextualize* their economic action, agency and relations within a *different* (de-)ontological *world* of socio-human interaction, in comparison to the proponents of conventional economic thinking and (correspondingly) of mainstream capitalism.

In a forthcoming publication (dealing with the convergence in the contemporary market between the practice of Islamic finance and the so-called “sharing economy”: Cattelan, 2018; see also § 5 here) I try to explain in *what* this difference consists and *how* this *necessarily* implies a “paradigm shift” from an epistemological and methodological perspective.

Elaborating on some previous research works (Cattelan, 2013b; 2013c; 2017), I summarize this *epistemological* distance by referring to the radical “shift” that occurs in economic enquiry when the “*mine*” versus “*yours*” paradigm of conventional capitalism (where morality is detached from economy) is replaced with the “*mine*” beside “*yours*” paradigm of Islamic economics and finance, i.e. when the (de-)ontology of the “world” of Islam affects the economic anthropology of human agents (and morality and economy are integrated).

In fact, if conventional economic thinking (where what is “mine” exists *versus* what is “yours”) embraces fundamental axioms about the *scarcity* of available resources and the *division* of property rights between the participants in the market, who *compete* one against the other for the “maximization of their utility”, these “axiomatic roots” are actually *reversed* in Islamic economics, which assumes

as axioms the *abundance* of resources (when human desires are balanced with needs) and their *distribution* among economic agents, who *cooperate* in the market as a place of common welfare and “shared prosperity” (*falah*).

The axiom of “scarcity” is at the very core of Western economics, through the idea of an (ontological) gap between (practically) limited natural resources and (theoretically) limitless human needs and desires, from which the problem of an efficient allocation arises. Furthermore, since resources are scarce, and economic agents are considered both as the source and beholders of property rights (Cattelan, 2013c), the (deontological) need for their division is brought about in a market where competitors operate one against the other. Accordingly, in the “*mine*” versus “*yours*” paradigm of economic relations that dominates conventional capitalism, “moral economy” has to act as a constraint to the excesses of this competition.

But what happens when we “make trades” in the “different world” of Islamic economics? In epistemological terms, what Kuhn defines as a “scientific revolution” occurs when the *tawhidi* framework of Islam (Choudhury & Bhatti, 2017) is taken as “axiomatic” background. Where God is the only “actor” of all the creation and “owner” of any resource, the principle of scarcity (if empirically recognized due to the persistence of inequality and inefficient distribution) is removed by an (ontological) “unity” in the provision of *any* means of subsistence for all the mankind, hence of an abundance which derives from the balance (*mizan*) between human needs and desires. Subsequently, when scarcity is removed as a defining concept in economics (Wahbalbari *et al.*, 2015) a reconciliation between limited natural resources and human wants is followed by assuming the existence of a *unique* justice whose “shares” are distributed among human agents as God’s vice-regents (*khalifahs*); moreover, a (deontological) axiom of cooperation is applied, since “my” property right *epistemologically* exists only beside “yours”. As a result of this approach, in the pursuit of the general objectives (*maqasid*) of *Shari’ah* as the Right Path to maintain the “shared prosperity” (*falah*) of the *tawhidi* framework, the concept of “moral economy” becomes merely redundant (if not useless from an epistemological perspective), since morality is already integrated into economic relations as guiding principle.

After discussing the origins (§ 2) and the broad range of research programmes undertaken by Islamic economics studies in the last fifty years (§ 3), as well as after the critical evaluation of the epistemological autonomy of its scientific paradigm, as grounded in the “shared prosperity” of the *tawhidi* framework, beyond the reference to the notion of “moral economy” (here, § 4), the next section (§ 5) will take into closer consideration which shortages can be still identified in the discipline, especially in terms of conceptual coherence with its *own* paradigm, as just outlined.

In particular, the report will underline two persistent limits in Islamic economics studies, towards which some suggestions will be advanced to make up for these weaknesses.

On one side, attention will be given to the need for “filling the gap” between theoretical studies and the “practice” of an effective Islamic eco-system of shared prosperity, with particular regard both to the changing nature of contemporary capitalism (e.g. FinTech and the sharing economy), issues of global sustainable development and of political economy that necessarily require to consider in a more comprehensive way the interactions between the governments of Muslim countries, global markets and the Muslim community. On the other side, the report will discuss the need to integrate

the paradigm of shared prosperity of Islamic economics also in the practice of Islamic finance as a subfield of the Islamic (*halal*) eco-system, by referring to new instruments of green economy, cooperative funds, the re-discovery of *waqf* institutions and the socio-humanitarian impact that can be derived both from *zakat* funds and the use of new technologies for Islamic crowdfunding. In this context, some reflections will be made to address the diverse sociologies that the transnational market of Islamic finance comprises today, as a socio-economic reality where Muslims and non-Muslims interact under the application of values which can (or cannot) be consistent with the paradigm of shared prosperity (by replicating, in reverse, those of conventional capitalism).

The intrinsic pluralism embedded in the contemporary market of Islamic finance will finally lead to conclusive considerations about the unique (religious) *Truth* and the multiple (secular) truth-s of Islamic economics, and how the conceptual distinction between the former and the latter should be employed to overcome the issues of “axiomatic communicability” of Islamic economics to non-Muslims, so as to maximise universally the benefits of its paradigm of shared prosperity.

Shared Prosperity in Practice: Islamic Economics Studies, The Changing Global Economy and Islamic Finance Sociologies

In his broad critique about “what is wrong with Islamic economics” Khan, M.A. (2013) points out that Islamic economics often appears (I would say, particularly to non-Muslims) as a “theology on economic matters” (p. 7).

I think that Khan’s criticism is right in remarking how much Islamic economics academic literature, by grounding the analysis in the “moral economy” of the Islamic divine order (§ 4), has unconsciously contributed to foster a “great divide” between *its* theory (the normative ‘ought’ of the sacred Law of Islam) and the practice of the market (that should have been since the beginning *its* descriptive ‘is’ of social investigation). As a result, Islamic economics scholarship has perpetuated and fostered a gap between *its* “ideal” and *the* “real” of Islamic finance which, if the one side has been claimed responsible for the social failure of the Islamic moral economy (due to its excessive contamination with conventional capitalism; see, for instance, Asutay, 2008), on the other side represents, *de facto*, *its* core market (Nagaoka, 2012). Hence, although the criticism towards the departure of the “body” of Islamic finance from the “spirit” of Islamic economics is widespread in the literature (one of the most famous example is El-Gamal, 2006), at the same time Khan is certainly correct in pointing out that “Muslim economists would have to move away from the framework of theology and adopt the framework of social sciences to develop... [their] discipline” (2013, p. 39).

In this direction, I believe that referring to the *paradigm* of “shared prosperity” as *the* underlying methodology of Islamic economics – as summarized in the previous section (§ 4) of this report in terms of abundance (though balance) of resources, distribution and cooperation grounded in the *tawhidi* framework (and in this sense *scientific* alternative to the axioms of scarcity, division and competition of conventional economic thinking) – can be helpful to put the “theory” of Islamic economics (as grounded in the *Truth* of Islam) into “practice” (so to reconcile the complementary truth-s of its research programmes, and extend their benefits also among non-Muslims: see § 6). Accordingly, in order to overcome the “great divide” mentioned above, a comprehensive Islamic eco-

system should look both at the changing nature of contemporary global economy, as well as at the diverse sociologies that the reality of Islamic finance incorporates today.

Practising Islamic Economics in The Contemporary Global Economy

The first suggestion that this report advances in order to revise “what is wrong with Islamic economics” is the need to re-address the attention of Islamic economic studies in consideration of the deep transformation that the global economy is experiencing today.

Since its inception Islamic economics has certainly had the merit to raise the issue of interest (*riba*) as one of the most relevant deficiencies in the conventional economic thought. In fact, assuming that lending money is *per se* productive of a profit for the lender alters the balance (*mizan*) that has necessarily to be related to the real economy (i.e. the abundance of available real assets and natural resources) in order to distribute property rights among economic agents cooperating in the market. Interest-based economies work in relation to nominal values, and are frequently subject to speculative trends, that do not reflect the real availability of resources. The global financial crisis that started in the 2008 has reinforced the recognition of the fundamental need for a more “sustainable development”, with objectives of poverty alleviation, distributive justice and financial inclusion which reflect the *maqasid al-Shari’ah* and have been re-affirmed by the United Nations Resolution on *Transforming Our World: The 2030 Agenda for Sustainable Development* (United Nations, 2015).

At the same time, the global economy is also experiencing dramatic changes in the structure of market relations, due to the digital revolution that is transforming the social life of economic actors, as well as the impact of “financial technology” (or “FinTech”: Accenture, 2016) and the so-called “sharing economy” (Codagnone *et al.*, 2016). In a global market where new instruments of financial intermediation (e.g. crowdfunding) are competing with traditional banking, Islamic economics scholarship necessarily has to move forward in its topics of investigation, especially with regard to the compatibility, advantages and possible risks of implementing these technologies in the Islamic *halal* eco-system (Cattelan, 2018).

Another domain of urgent re-formulation of Islamic economics literature (in the light of the concretization of its paradigm of shared prosperity) is the dissemination of studies dealing with the implementation of the principles of risk-, profit- and loss-sharing (as corollaries of the axioms of abundance, distribution and cooperation) in the practical operations of political economy. In other terms, if communities, markets and states are complementary to promote a collaborative governance aimed at shared prosperity (in this regard see Mertzanis, 2018), incentives in this direction have to be also considered in the conceptualization of Islamic economics, since the *Truth* of Islam itself (the “theology” mentioned by Khan, M.A., 2013) requires the individual and collective endeavour (*ijtihad*) of economic agents, in their role of *khalifah*, to strive for common welfare (*falah*). Correspondingly, this commitment entails the need for better regulation both of the real economy and financial dealings by the governments of Muslim countries, as well as stronger transparency in the marketplace.

In this light, there is no doubt that Islamic economics already offers a vast range of instruments and tools to enhance social welfare, also in relation to the global objectives of sustainable development that have been mentioned above (for an institutional approach that underpins the path of economic and social progress, see Askari *et al.*, 2014). At the same time, assuming this theoretical background,

the real challenge becomes as a consequence, the need to “realize” (in the proper sense of “making real” the *Truth – Haqq* – of Islam in the real lives of economic agents) the objective of shared prosperity in the context of different socio-economic realities, which are often still at the stage of informal economy in many Muslim countries. In this direction, the “practice” of Islamic economics through instruments of Islamic finance implies the clear recognition of this variety of social contexts, as well as of the diverse sociologies that the transnational market of Islamic finance comprises today.

Dealing With The Diverse Sociologies of Islamic Finance

Speaking about the practice of Islamic economics as a paradigm of shared prosperity, the focus of the literature should also turn towards Islamic finance as *the* market of concretization of its postulates, and the promotion of welfare at a universal level, thus benefitting both Muslims and non-Muslims.

To this aim, within the general frame of an Islamic (*halal*) eco-system, studies related to the paradigm of Islamic economics should examine, for instance, issues of ecological / environmental economy, in coherence with its *tawhidi* framework. Indeed, if a certain delay by Muslim economists in dealing with ecological issues was already remarked by Akhtar (1996)²³ and later confirmed with regard to the notion of sustainable development by Hasan (2006),²⁴ more recently an entire new chapter in Islamic economics studies seems to have emerged with reference to the link between economy, society and the environment as components of the unity of the creation to be kept in balance (*mizan*) (see for instance Obaidullah, 2017; Safar-Aly, 2015; Sarkavi & Abdullah, 2015, Hasan 2017). A growing attention to environmental issues, that has to be welcomed as an advance of the practicability of the paradigm of shared prosperity (both from an intra- and inter-generational perspective), can be also found in the field of “Islamic green finance”, as witnessed by the new approaches by operators and ethical funds; the issuance of green *sukuk*; and the establishment of green *awqaf* (in this regard, see Piratti & Cattelan, 2018). As recently noticed by the Central Bank of Malaysia

[a]s the world economy gradually moves towards adopting a green and more sustainable development model, the Islamic finance industry has tremendous opportunities to develop *Shari’ah*-compliant green financing facilities to meet the expanding liquidity requirements in the sector (Bank Negara Malaysia, 2014, p. 4).

While Islamic economics is embracing in a more coherent manner, environmental issues as part of its paradigm (as intrinsically related to the conceptualization of the unity (*tawhid*) of the creation and the role of the human being as God’s vice-regent (*khalifa*): § 4), it is with regard to the new “world” of the “sharing economy”²⁵ that Muslim economists should also direct their expertise.

The changing consumer behaviour that is brought about by online social networks, electronic markets and mobile devices, in fact, requires further conceptual effort to deal with the supposed “cooperative” nature of these tools, and the extent to which the social meaning of “sharing” in Islamic economics (within its paradigm of shared prosperity) corresponds to the “sharing” economy of conventional capitalism (specifically on this issue, see Cattelan, 2018). In this light, if the spread of platforms of “Islamic crowdfunding” certainly witnesses how Islamic finance is following the evolution of the global economy, at the same time theoretical elaboration has to consider carefully the transformation of the global sociology of financial markets, in order to assess (for instance) the legitimacy of the integration between the new technologies and the traditional institutes of *waqf* as well as the socio-humanitarian impact that *zakat* can have when donations are given to online platforms.

Speaking of the reality of the practice of Islamic finance as a fundamental component of analysis for the future development of Islamic economics (in order to overcome the “great divide” that its “theology” in economic matters can imply), final remarks must also be added with regard to the transnational nature of the financial market, and the fact that Islamic finance comprises today a multiplicity of actors (public and private, Muslims and non-Muslims) and diverse sociology-ies of economic interests. To a certain extent, Islamic finance today is *not* simply that space of action where Islamic law is applied in financial markets (as commonly asserted), but represents a global socio-economic movement which is linked to capital flows, where money becomes a vehicle of values which is differently (re-)formulated by multiple actors. In other terms, it consists of a socio-economic reality where Muslims and non-Muslims interact by pursuing a variety of interests, values and expectations (e.g. according to certain profit-oriented objectives; or spiritual commitments; or using *Shari’ah*-compliant tools for reasons of political economy, in the case of national governments).

Dealing with the intrinsic diversity that characterizes the Islamic financial market, as it has developed in the last fifty years, imposes the capacity to look at this (re-)formulation of values, expectations and interests *not* as a regrettable contamination of the “purity” of Islamic economics theory (due to its practice immersed in a market where conventional capitalism is still prevalent), but both

- As an opportunity to confirm the validity of its paradigm of shared prosperity by translating the *Truth* of Islam (which is the “hard core” of Islamic economics) into a variety of truth-s of research programmes (as listed in § 3); and
- As a strategy of “axiomatic communicability” of that paradigm beyond the Muslim world, so as to facilitate the spread of its beneficial effects at a universal level, among Muslims and non-Muslims alike.

Towards this step forward in the *recognition* of the paradigm of shared prosperity of Islamic economics, § 6 will provide some final reflections.

Some Conclusive Considerations on The *Truth* and The Truth-s of Islamic Economics

By reviewing the development of Islamic economics studies as a collective enterprise of research achievements from the 1960s-1970s onwards (§ 1), this report has investigated the nature of this enterprise as an attempt to answer human economic problems through solutions grounded in Islamic religion (§ 2) in the light of the epistemology of science.

The epistemological approach embraced in these pages (especially with reference to Lakatos and Kuhn) has underlined how the broad variety of research programmes that belong to Islamic economics literature maintain a unique semantic “hard core” which corresponds to the *Truth* of Islam and the *tawhid*- Islamic monotheism (§ 3). With specific regard to the *tawhidi* framework, the report has identified the autonomous methodology of Islamic economics in a paradigm of shared prosperity (§ 4), where the parameters of scarcity, division and competition of conventional capitalism are *replaced* by the axioms of abundance of resources (in a balance, *mizan*, with human

needs and desires), their distribution among economic agents and their action as God's vicegerents (*khalifas*) in a market conceived as a place of mutual cooperation and common welfare according to the *maqasid al-Shari'ah*.

To the extent to which the epistemological perspective embraced in these pages refer to the general paradigm of "shared prosperity" as derived from the *tawhidi* framework, the reader should not look at this conceptualization in mere terms of "abstract scientificism" (i.e. by reducing the "search of an identity" for Islamic economics to the "theory" of Islamic economics *per se*: see valuable inputs, in this regard, by Mahomedy, 2013, and – on the problem of scarcity/poverty – by Tag el-Din, 2007). On the contrary, in order to foster Islamic economics studies in the next future, the report has also suggested strategies and instruments "to put the paradigm of shared prosperity in practice", both with reference to the changing nature of the global economy and the different sociologies that today coexist in the transnational market of Islamic finance (§ 5).

Last but not the least, the reasoning followed in these pages has shown how Islamic economics, as a discipline which is certainly *recognizable* in world academic literature, if on one side holds an inherent *Truth* for Muslim believers (since it embodies the Message revealed through *Shari'ah* to the mankind), can be also *recognized* by non-Muslims through a paradigm of shared prosperity whose axioms incorporate the diverse truth-s that concur in its research programmes, and that reveal how much the resolution of contemporary issues of sustainable development, poverty alleviation and financial inclusion can benefit from the adoption of postulates of balanced abundance, distributive justice and market cooperation. In a nutshell, it is by looking at the universal validity of these rationales that

- the "theory" of Islamic economics can be recognized as a real alternative to conventional economic thinking, and
- the "practice" of the global economy can move away from inequalities and persistent speculative trends, hence "echoing" the benefits of the paradigm of Islamic economics far beyond the borders of the Muslim world.

Notes

Organization and summary of this report – In terms of organization of the contents, this report, after the *introduction* of its topic (§ 1), investigates the origins (§ 2) and evolution (§ 3) of Islamic economics studies from the '60s onwards, referring to the growth of the *literature* in the field as reflected by a broad range of research programmes. Afterwards, the report evaluates which coherence Islamic economics holds in terms of its *methodology* (§ 4): in doing so the text highlights that its "revolutionary" nature derives from promoting a "paradigm shift" from conventional capitalism, by replacing assumptions of scarcity, division and competition with rationales of abundance, distribution and cooperation in the market as a socio-economic place of "shared prosperity". In this light, the report also proposes an *analysis* of the practice of Islamic economics paradigm in the global market, both with regard to the changing nature of world economy and the sociological diversity that characterizes the transnational market of Islamic banking and finance, relating the *findings* of the discussion to the future of Islamic economics as a discipline (§ 5). To conclude, final *evaluations* are added with regard to its "revolutionary nature", as well as some *suggestions* about the "axiomatic communicability" of the *Truth* of Islamic economics to non-Muslims, and the recognition of the truth-s that its research programmes can explore (§ 6).

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- 1 ... “this monument of the human spirit that deserves the highest admiration, which is Islamic Law” (my translation; capitalized “Law” in the original text).
- 2 Islahi (2015, p. 2) also mentions, next to Hamidullah (1936), Datta (1939), Qureshi (1947) and Ahmad (1947) as first works in contemporary Islamic economics studies, as well as Sayyid Qutb’s *Social Justice in Islam* (1949); with regard to Hamidullah, see Islahi (2017).
- 3 The International Conference on Islamic Economics and Finance (ICIEF) has been the most renowned event in the field in the last 40 years. After its first meeting in Mecca (1976), the conference was held in Islamabad (1983, “Development, Finance and Distribution in Islamic Perspectives”); Kuala Lumpur (1992, “Financing Development from Islamic Perspective”); Loughborough (2000, “Islamic Finance: Challenges and Opportunities in the 21st Century”); Bahrain (2003, “Sustainable Development and Islamic Finance in Muslim Countries”); Jakarta (2005, “Islamic Economics and Banking in the 21st Century”); Mecca (2008, “30 Years of Research in Islamic Economics”); Doha (2011, “Sustainable Growth and Inclusive Economic Development from an Islamic Perspective”); Istanbul (2013, “Growth, Equity and Stability: An Islamic Perspective”); Doha (2015, “Institutional Aspects of Economic, Monetary and Financial Reforms”); with the last, 11th edition, in Kuala Lumpur (2016, “Rethinking Islamic Economics and Finance: Paving the Way Forward for Inclusive and Sustainable Development”). The 12th edition of the conference (2018) is going to take place again in Mecca on the topic “Towards the Real Economy: Challenges and Prospects”.
- 4 In opposition to Kuran’s criticism of Islamic economics as a sectarian discipline mainly related to Islamic revival to restore Muslim identity, Islahi (2015) claims that Islamic economics is not a product of the 20th century; that the term may be new but its origins go back to the early period of Islam; and that its evolution up to today can be divided into six distinct phases, namely: (1) first century of Islam / 7th century CE; (2) 8th-11th centuries CE; (3) 12th-15th centuries CE; (4) 16th-18th centuries CE; (5) 19th-early 20th centuries; (6) 20th century, till today. As much I do not agree with the interpretation by Kuran on the nature of Islamic economics, I also contest Islahi’s reconstruction, by recognizing something called “Islamic economics” only as a collective research enterprise whose history can be set within the last fifty years. I give arguments in this direction in the pages of this report especially in the light of Kuhn’s notion of “paradigm” (1962) (i.e. from the perspective of the philosophy of science) and not of the history of Islamic economic thought (which is, in reverse, the methodology followed by Islahi). An old-centuries “history” in Islamic economics studies (that, as said, I do not find corresponding to the notion of “paradigm”) is also proposed by El-Ashker & Wilson (2006).
- 5 “... it seems unlikely that this discussion of Islamic economics will provide a genuine – and specifically Islamic at that – alternative to existing economic systems and theoretical approaches. But even the mere discussion can provide a sense of cultural identity and independence and may legitimize any number of specific economic measures a government may adopt. This makes it attractive to the Muslim intellectuals and advantageous to any government that draws its legitimacy from Islam” (Philipp, 1990, p. 139)
- 6 On a related stance, for a historical overview of Islamic finance in relation to the global political economy, see (Warde, 2000).
- 7 “... Islamic economics is actually a rephrasing of conventional economics with a flavour of the Islamic *Shari’ah* introduced through references and quotes from primary sources of Islam. Peeling off the layer of these quotations and references leaves the literature on Islamic economics more or less similar to what conventional economics has presented. Substantively, Islamic economics has not addressed the human problems. It has not even studied the economic problems of Muslims” (Khan, 2013, pp. 23-24)
- 8 For a comprehensive outline of the “moral economy of Islam” see also Tripp (2006).
- 9 I also elaborate on this question in an article that I have recently published in Italian language (Cattelan, 2017, p. 276). The relationship between economics and religion has been investigated through a plurality of approaches by looking, for instance, at (1) religious economics (how religion affects economics), (2) economics of religion (the economic dimension of religious affairs: see, in this regard, (Iannaccone, 1998); (3) economic results of religion (as in Weber, 1958). For the Turkish language readership, authors like Ömer Demir and Özgün Burak Kaymakçı have elaborated on these interactions; I am in debt to Dr. Zeyneb Hafsa Orhan for these references.
- 10 “One contains constrained bodies that fall slowly, the other pendulums that repeat their motions again and again. In one,

solutions are compounds, in the other mixtures. One is embedded in a flat, the other in a curved, matrix of space. Practicing in different worlds, the two groups of scientists see different things when they look from the same point in the same direction. Again, that is not to say that they can see anything they please. Both are looking at the world, and what they look at has not changed but in some areas they see different things, and they see them in different relations one to the other. That is why a law that cannot even be demonstrated to one group of scientists may occasionally seem intuitively obvious to another” (*ibidem*).

- 11 The core of Popper’s falsificationism implies that a theory can never be proven in all empirical situations, but can be falsified by decisive experiments: see both his famous *Logic of scientific discovery*, 1934 – translated from German to English in 1959 –, and *Conjectures and refutations*, 1963.
- 12 An interpretation of Islamic economics as a discipline whose origins, transformation and future development are basically related to the practice of Islamic finance is proposed by Nagaoka (2012): “Islamic economics has been developed in the dynamics between aspiration and reality in the theory and practice of Islamic finance. In particular, these dynamics can be observed after the rise of the commercial practice of Islamic finance in the 1970s. While Islamic economics is the theoretical background of Islamic finance, which is currently achieving rapid growth, its practice shapes the history of Islamic economics by raising arguments on the theoretical feasibility of Islamic economics. In such interactions, some Islamic economists give priority to the aspiration of Islamic economics while others give importance to the economic feasibility of Islamic finance and accept the current situation of commercial Islamic finance” (p. 114). Although I do agree with Nagaoka with regard to the historical origin of the paradigm of Islamic economics in the middle of the twentieth century, its double-side relation with the practice of Islamic finance (in which Islamic economics is more dependent on, rather than conducive of, Islamic finance) cannot provide, in my opinion, an all-encompassing description of the discipline; on the point, and the different sociologies within Islamic finance I have added some consideration in § 5 of this report.
- 13 Accordingly, El-Gamal proposes as an alternative to this approach “to understand and apply the substantive spirit of Islamic Law. This can be accomplished by understanding the economic functions served by classical legal provisions and the general principles that prompted classical jurists to pursue those functions within their economic and legal environment. This, in turn, can pave the road for developing financial products that may be marketed more effectively to Muslims and non-Muslims alike, without need for Arabic names of classical nominate contracts, and without hiding behind the “Islamic” brand name” (El-Gamal, 2006, p. 25).
- 14 The reference to Islamic commercial law and jurisprudence as an instrument to legitimize in the light of *Shari’ah* the expansion of the Islamic financial market is still a controversial subject of investigation in the literature: in fact, if on one side, the contribution by authoritative *Shari’ah* scholars in the structuring of financial products and services is deemed essential for the validity of a *Shari’ah*-compliant market, on the other side critical voices have demonstrated how much the legal practice of Islamic finance does maintain a “form-over-substance approach” (see El-Gamal, 2006; here, previous note), where Islamic contract law is more a “label” rather than consistent with the spirit of *Shari’ah* (on the topic, see also Bälz, 2008; on the peculiarities of Islamic finance law as an emergent legal system, Foster, 2007; and on the transformation of Islamic law through state regulations, as well as the practice of international business law, respectively, Ercanbrack, 2015; Nethercott & Eisenberg, 2012).
- 15 On the matter of standards for the Islamic financial industry, one of the most important entities is the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), based in Bahrain, which is a non-governmental body that prepares accounting, auditing, governance and ethical guidelines. The IFSB (International Financial Services Board) is another international body, based in Kuala Lumpur, Malaysia, that sets standards and offers guidance for Islamic banking and finance regulation and supervision, to enhance the soundness and stability of the Islamic financial market.
- 16 A helpful survey of the topics covered by contemporary Islamic economics literature can also be found in Zaman (2008).
- 17 It is interesting to note that the description of Islamic economics in terms of a “new paradigm” has also been proposed by Presley & Sessions (1994). At any rate, Presley and Sessions use the term “paradigm” not in the meaning that it holds in the philosophy of science (Kuhn, 1962), but referring to a “model”, a “pattern” of financial intermediation, that is alternative to traditional Western banking, and based on the *mudarabah* (profit-and-loss sharing) principles. In this light, they (correctly) remark that a “misconception which must be abandoned quickly is that Islamic economics is a *new* paradigm [italics added]. That Islamic economics has come to the fore in recent years in certain Muslim states is indisputable, but it has been in

the background of the Islamic economy since the revelation of the Holy Quran, and, in this sense, is much older than the theoretical foundations of most Western economic paradigms” (p. 585). But, if *their* idea of paradigm corresponds to a pattern of commercial dealing / financial intermediation (*mudarabah*) whose conceptual roots certainly belong to the Revelation, only from 1960s (as this report has shown) an Islamic economics *epistemological paradigm* (in Kuhn’s terminology) has actually emerged.

- 18 With regard to this second question, see also the conclusions of this report § 6.
- 19 In this regard, Kuran (1986, 1997, and 2004) is certainly right in his interpretation of the birth of Islamic economics as a post-colonial revival of Muslim identity; at the same time, although this interpretation can be considered agreeable from a perspective of cultural history, it appears to me too partial and unilateral (if not ideological in its rejection of Islamic economics as an alternative to conventional capitalism).
- 20 A clear signal of this re-established independence from the Western colonial power was the foundation of the Islamic Development Bank (IDB) in 1973 by the Finance Ministers at the first Organisation of the Islamic Conference (now the Organisation of Islamic Cooperation); the IDB began its activities on 20 October 1975. On the tied relation between the growth of Islamic economics, as a discipline, and Islamic finance, as an operative market, see Nagaoka (2012); for a critical perspective on his interpretation see here, note 12 above.
- 21 Shortened title of his *Inquiry into the nature and causes of the wealth of nations*. The reference to Adam Smith and his “economics” allows a comparative reflection with the claim made by certain authors (see Islahi, 2015; note 4 here) that the origins of Islamic economics should be dated back to the birth of Islam. In actual fact, nobody would deny that the term *oikonomia* was already used by Aristotle in the IV century BC, and that certain notions about the good administration of economic goods can be found in his theoretical elaborations: but only much later a “collective enterprise” of “research achievements” with regard to issues of production, distribution and consumption of goods and services have been developed in Western literature. *Mutatis mutandi*, the same reasoning has to be applied to Islamic economics as a discipline founded in the second half of the last century, as argued in this report.
- 22 In this context, he notices that the compound “may have been used for the first time in a sermon preached before the University of Cambridge in 1729 with reference to the “moral Economy of Things” that mirrored the creator” (Götz, 2015, p. 149) (a sermon by Robert Leeke).
- 23 “The Muslim economists have so far made relatively insignificant contribution to the subject of environment. Most of them have only discussed the moral aspect of the subject in general terms. In fact, there are very few studies which have approached the problem systematically. Even those few studies have not worked out the practical ways and means for ensuring environmental security” (Akhtar, 1996, p. 58).
- 24 “One need not shy away from accepting that Islam does not deal with development issues as they are being spelled out today... To do otherwise may involve the risk of being apologetic or stretchy in argument. But the statement does not negate the fact that *Shari’ah* contains many unmistakable, even if generic, warnings that the world is likely to be overwhelmed by the development problems of the sort it is now facing if men do not resist selfishness, greed and rapacious exploitation of natural resources. On a more important side, the way of life Islam prescribes offers ample possibilities of extracting a whole blue print of instructions which, if put into operation, would not only help resolve current problems but may usher in positive improvement in the situation. *Maqasid-al-Shari’ah* – the objectives of Islamic law – ... provide the broad framework for such a blue print” (Hasan, 2006, p. 5).
- 25 Codagnone defines the sharing economy as “a wide range of digital commercial or non-profit platforms facilitating exchanges amongst a variety of players through a variety of interaction modalities (P2P [peer-to-peer], P2B [peer-to-business], B2P, B2B, G2G [government-to-government]) that all broadly enable consumption or productive activities leveraging capital assets (money, real asset property, equipment, cars, etc.) goods, skills, or just time” (Codagnone *et al.*, 2016, p. 22).

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