WAQF
&
THE REVIVAL OF THE ISLAMIC GIFT ECONOMY: A PRELIMINARY CONCEPTUAL OUTLINE[1]

by
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Introduction

The Islamic Gift Economy (IGE) can be envisioned as an integrative economic system based on the operative principles of cooperation (*ta'āwun*), mutual consent (*'an tarāḍin/murāḍātin*) and partnership (*mushārakah*), and these are in turn founded on the principal ethics of *raḥmah* (mercy), gratitude (*shukr*), generosity (*karam/iḥsān*), moderation (*tawāzun/'iffah*), *khilāfah* (trusteeship) and *amānah* (trustworthiness/responsibility). These operational and ethical principles are in turn grounded in the foundational psycho-cosmological outlook which is expressed in the belief that (i) *the natural and cultural*[3] *resources of the world are abundant*,[4] while (ii) *the material needs, wants and desires of human beings are limited and should be limited*.

The natural and cultural resources of the world seen as blessings and bounties (*faḍl*) from the Merciful Creator (*ni'am/ālā' al-Khāliq*) are abundant and even unlimited in principle because *wa in ta'uddū ni'mataLlāhi la tuḥsūhā:* "if you would count the bounty of Allāh you cannot exhaust it."[5] Viewed in the light of belief (*īmān*), these resources are gifts and favours (*ālā'*) from the realm of transcendence to which the human ethico-cognitive response is gratitude (*shukr*), which in turn results in contentment (*qanā'ah*). Hence man will take according to his need but not his greed, for because of abundance there is no anxiety over scarcity that feeds greed (*ṭamaʿ*) and accumulation (*takāthur/jamʿ al-māl wa taʿdīduhu*).[6] Moreover, *shukr* itself becomes an existential state of being generative of abundance (*ziyādah*) both material and spiritual, for *la'in shakartum la'azidannakum* = "verily, if you give thanks, I will indeed give you more."[7] Thus by definition, Islamic economics is an *economics of abundance*, and *never* an economics of scarcity.[8]

Seen however in the secular darkness of disbelief and ingratitude (*kufr*) these resources will be cut off from their transcendent, spiritual source, and hence restricted to their limited, purely quantitative

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[1] This is a revised, extended and fully documented version of the original paper delivered in power point format at three separate *waqf* workshops in Johannesburg, Durban and Capetown, organized by the National Awqaf Foundation of South Africa (AWQAF SA) between August 1 to August 8 2009. My thanks are due to the many committee members of AWQAF SA who have made my 10-day visit so enjoyable and fruitful, especially to Mr. Zeinoul Abedien Cajee, AWQAF SA's founding Chief Executive Officer, for his gracious invitation to me to be guest-trainer at these wonderful workshops in which I was able to share and exchange my views on *waqf* and the Islamic gift economy with many ulamas, intellectuals, professional business people and civic society activists. The original paper and related articles are published for limited circulation in the booklet, Adi Setia & National Awqaf Foundation of South Africa, *Islamic Gift Economy and Selected Articles, and Waqf Institutions* (Durban, South Africa: Friday Forum, 2009).

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[3] Natural refers to tangible physical resources found in the natural world, while cultural refers to intangible non-physical resources found in human culture as a result of human creative endeavour, such as knowledge, skills, customs, belief systems, moral norms, value systems and social institutions.

[4] Though the natural world and its resources are physically finite, yet these are abundant since these undergo a process of perpetual renewal and regeneration, a process which is termed in Islamic theology as *tajdīd al-khalq* (the divine renewal of creation).

[5] *Ibrāhīm*: 34. Unless otherwise stated, all translations of Qur'anic verses are based on Muhammad Marmaduke Pickthall, *The Glorious Qur'an: Text and Explanatory Translation* (Makkah: Muslim World League, 1977).

[6] *al-Takāthur*: 1; *al-Humazah*: 2.

[7] *Ibrāhīm*: 7.

[8] This Islamic viewpoint is of course in direct contrast with the economics of scarcity taught and promoted in the standard western economics textbooks. However, some futurist western thinkers are already thinking, in their own way, along these lines of abundance, as in Barry Carter, *Infinite Wealth: A New World of Collaboration and Abundance in the Knowledge Era* (Boston: Butterworth-Heinemann, 1999); whereas Tim Jackson envisages a post neoliberal era of prosperity without growth in his *Prosperity without Growth: Economics for a Finite Planet* (London: Earthscan, 2009).

level of being, hence man will view these resources as limited and scarce, despite its actual abundance, and they engage in mutual, unending competition over them out of anxiety over their perceived scarcity: *al-shayṭānu yaʿidukum al-faqra wa ya'murukum bi al-faḥshā'i wa Allāhu yaʿidukum maghfiratan minhu wa faḍlan* = "the devil promises you destitution and enjoins on you lewdness, but Allāh promises you forgiveness from Him with bounty."[9] Without belief, man will, out of anxiety, take these resources according to his greed (*ṭamaʿ*) without any sense of recognition of their true, transcendent source, which in turns results in ingratitude (*kufr al-niʿmah*) and hence loss of contentment, leading to an existential state of perpetual anxiety and endless yearning: *wa la'in kafartum inna ʿazābī la shadīd* = "but if you are thankless, then indeed my punishment is dire."[10] It interesting to note in this respect that the Australian economist Clive Hamilton has referred in his book to this state of perpetual anxiety and endless yearning that is never satisfied as a disease called *Affluenza: When Too Much is Never Enough*.[11] Although he was not at all referring to the Islamic perspective on the situation, yet his thinking is of some significance since then there will be much hope for what my friend Faizel Katkodia has referred to as a cross-cultural "convergence on commonalities"[12] in the quest toward finding common solutions to the common problems of humankind.

Thus, Muslims, if they are sensitive to the Worldview of Islam,[13] cannot go on agreeing explicitly or implicitly with the standard secular definition of economics that more or less asserts that it is the study of "the allocation of scarce, limited resources to fulfill the unlimited desires of man." This is because this and similar definitions of economics in the standard economics textbooks[14] used throughout the world are based on two basic mistaken and largely unexamined, dogmatic assumptions, one cosmological and the other psychological. The cosmological assumption, as implicit in the phrase "limited reources," is that nature is purely material without a transcendent source of being, renewal and regeneration, and so it must be a closed system, hence finite and limited. The psychological assumption, as implicit in the phrase "unlimited desires," makes a claim about the nature of man, in that he is limited to his physical self without deeper spiritual substance and higher transcendent aspirations, hence he lives only to realize his immediate sensual, bodily desires and to create new desires, thus leading, from the Islamic point of view, to his seduction into "rivalry in worldly increase" as the only goal of his purely temporal life: *alhākum al-takāthur ḥattā zurtum al-maqābir* ("rivalry in worldly increase distracts you until you visit your graves").[15]

In contrast, Muslims believe that (i) both nature and culture and their resources have a transcendent source of being, regeneration and renewal, and hence natural and cultural resources are not limited in respect of that transcendent source of renewal and regeneration, but rather they are abundant: *wa ātākum min kulli mā sa'altumūhu* = "and He gives you of all that you ask of him;"[16] and that (ii) man's self is both physical and spiritual in which the physical serves the spiritual.[17] Hence man voluntarily limits his material desires through cultivating the self-discipline of *zuhd* (spiritual detachment and economic downshifting) in order that he might better realize his higher and truer spiritual aspirations by which he finds his true self. He pursues his material needs only in the context of higher, more encompassing non-

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[9] *al-Baqarah*: 268.

[10] *Ibrāhīm*: 7.

[11] (Crow's Nest, NSW: Allen & Unwin, 2005). His other book along this line of analysis is *The Growth Fetish* (Crow's Nest, NSW: Allen & Unwin, 2003), which, from the Islamic point of view, would be the fetish or obsession with *takāthur/jamʿ al-māl* = growth/wealth accumulation. See also his interesting *The Mystic Economist* (ACT Australia: Willow Park Press, 1995).

[12] Recent personal communication by email. He is in fact planning a doctoral study to elaborate further on this "convergence."

[13] On this, see Syed Muhammad Naquib al-Attas, *Prolegomena to the Metaphysics of Islam: An Exposition of the Fundamental Elements of the Worldview of Islam* (Kuala Lumpur: ISTAC, 2001); and his important *Islam and Secularism* (Kuala Lumpur: ISTAC, 1993). Cf. Serge Latouche, *The Westernization of the World* (London: Polity Press, 1995).

[14] Such as N. Gregory Mankiw, *Principles of Economics*, 3rd ed. (Mason, Ohio: Thompson South Western, 2004), 4, where he says that economics is "the study of how society manages its *scarce resources*." Another popular textbook is Paul A. Samuelson & William D. Nordhaus, *Economics*, 18th ed. (New York: McGraw-Hill, 2005), 4, where they say that "economics is the study of how society uses *scarce resources* to produce valuable commodities and distribute them among different people," and that "given *unlimited wants*, it is important that an economy makes the best use of its *limited* resources." (all emphases added).

[15] *al-Takāthur*: 1—2.

[16] *Ibrāhīm*: 34.

[17] As elaborated in Syed Muhammad Naquib al-Attas, *The Nature of Man and the Psychology of the Human Soul: A Brief Outline and Framework for an Islamic Psychology and Epistemology* (Kuala Lumpur: ISTAC, 1990).

material goals and objectives and thereby attains to meaning and happiness.[18] Thus man's material needs and wants are limited by virtue of his own self-realization of his higher, spiritual (i.e., intellectual, ethical and moral) calling, which transcends the temporal, sensual life of the world: *bal tu'thirūna al-ḥayāta al-dunyā wa al-ākhiratu khayrun wa abqā* = "Indeed, you prefer the life of the world, but the Hereafter is better and more lasting."[19]

This foundational Islamic cosmo-psychological outlook has deep and far reaching implications for how we should understand and engage both Islamic and Western economics. Muslims need to be critically and creatively self-conscious about these two cosmo-psychological principles in order to formulate an authentic, *integrative* Islamic economic system that is viable in the contemporary age; namely one that is autonomous and can stand and prosper on its own principles while in constructive engagement with the West, instead of one that is coopted, wittingly or unwittingly, into the mainstream, neoliberal economic system, as is largely the case with what currently goes by the name of Islamic Banking & Finance (IBF).[20] This foundational consideration brings us to the notion of the Islamic Gift Economy and the manner in which we should go about defining it and outlining its general conceptual and operative parameters.

Defining the Islamic Gift Economy (IGE)

For our limited, reflective purpose here, the Islamic Gift Economy[21] (IGE) can be provisionally defined as: *the provisioning and sharing, by mutual giving and receiving, of natural and cultural abundance for realising material and spiritual well-being*.[22] This definition takes into consideration that the world and humankind are not only material or physical but more fundamentally they are also spiritual and have a higher, spiritual or metaphysical significance. They serve a cognitive and moral purpose that transcends their immediate physicality or sensuality; namely a purpose which is indicative of a higher, more encompassing Reality (*al-Ḥaqq*) on which they depend and to which they respond.

This definition of the IGE will be operationalized in practice by a systematic, integrative revival of the mechanisms of religious, social and commercial exchange as formally embodied in the traditional *fiqh* of *ibādat and muʿāmalah*, such as *zakāt (*obligatory charity*), waqf (*endowment*), ṣadaqah (*voluntary charity*), hibah (*gift giving*), farā'iḍ/irth (*estate division*), waṣiyyah (*bequest*), qarḍ ḥasan (*goodly personal loan*), ʿariyyah (*lending something for use*), ijārah (*renting and hiring*), jaʿalah (*job wages*), muḍārabah (*venture

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[18] Cf. Maslow's hierarchy of needs which emphasizes self-actualization; see Abraham Maslow, *Motivation and Personality*, (New York: Harper, 1954).

[19] *al-Aʿlā*: 16—17.

[20] For some critiques, see Muhammad Saleem, *Islamic Banking: A $ 300 Billion Deception* (Bloomington, IN: Xlibris, 2006); idem, *Islamic Banking, A Charade: Call for Enlightenment* (Charleston, NC: Book Surge, 2006); cf. Timur Kuran, *Islam and Mammon: The Economic Predicaments of Islamism* (Princeton, NJ: Princeton University Press, 2004). I especially recommend the excellent, scholarly analysis by Mahmoud A. El-Gamal, *Islamic Finance: Laws, Economics and Practice* (Cambridge: Cambridge University Press, 2006), who shows (pp. xi—xii) that "despite the good intentions of its pioneers, Islamic finance has placed excessive emphasis on contract forms, thus becoming a primary target for rent-seeking legal arbitrageurs. In every aspect of finance—from personal loans to investment banking, and from market structure to corporate governance of financial institutions—Islamic finance aims to replicate in Islamic forms the substantive functions of contemporary financial instruments, markets, and institutions," and proposes "reorientating the brand name of Islamic finance to emphasize issues of community banking, microfinance, socially responsible investment, and the like." See also the BBC expose by John Foster, "How Sharia-compliant is Islamic Banking," in *BBC News*, Friday, 11 December, 2009, http://news.bbc.co.uk/2/hi/business/8401421.stm.

[21] The word 'economy' originally referred to "household management" (*tadbīr al-manzil*), and the primary duty of the householder is to ensure that the resources and revenues of the household, tangible and intangible, are managed prudently so that all the needs, material and spiritual, of the members of the household are met in such a way that none is marginalized, especially the weaker members, such as babies, young children, the handicapped, the elderly, including even pets and animals and plants of the household. In classical Islamic system of philosophy, *tadbīr al-manzil* comes under the division *al-ḥikmat al-ʿamaliyyah* or practical philosophy, which include, apart from economics, ethics and politics. The definition of the IGE given here is a conceptual elaboration of this original meaning in the light of the Worldview of Islam.

[22] In the light of this redefinition of economics, what counts as "warranted" needs and wants would refer to what is warranted in the Islamic ethico-moral system of values, as encapsulated in the *Maqāṣid al-Sharīʿah* (Objectives of the Divine Law), and not to what finds warrant in subjective human whims and fancies leading to runaway consumerism; see Adi Setia (forthcoming), "The Significance of the *Maqāṣid al-Sharīʿah* for Directing Research in the Natural and Social Sciences."

capital or financing a profit-sharing venture*)* and *mushārakah/sharikah (*business partnership*).*[23] Here the foundational notion of the 'gift' or rather gifting and giving (*ṣadaqah, hadiyah, hibah* and *infāq*)[24] is significant, for a deep-reflection on the above-mentioned religious, social and commercial exchange mechanisms will show that they have less to do with taking than with giving, and hence, ultimately more about serving communal/public rather than individual/private interests. As a matter of fact, even the so-called individual 'private interest' that is served in strictly commercial exchange, is inseparably embedded in the larger fabric of communal 'public interest', for it is a principal axiom of Islamic law that public, communal interest has precedence over private, individual interest. The commercial is never in spite of the communal.

To illustrate this point, let us look at the institution and mechanism of *farā'iḍ/irth* (the Islamic law of inheritance and estate division) for example. Because of this law even the most greedy and accumulative of people will be compelled at the end of his life to redistribute his accumulated wealth amongst members of his *extended* family, such that at the end of the day he gives away, in a *redistributive* manner, very much more than what he has actually consumed of his hard-earned wealth. Another case in point is the august institution of *zakāt*, which ensures that the urgent, material needs of the most vulnerable members of the community are immediately taken care off through a system of obligatory giving by its relatively more well-off members.[25]

Even in the various formal systems of commercial exchange, such as the business partnership (*mushārakah/sharikah*) and the venture capital (*maḍārabah/qirāḍ*), the basic, underlying governing vision is the *mutual giving*, of capital by the investor, on the one hand, and of skill, by the entrepreneur, on the other hand, to a *common* business enterprise, and the *mutual sharing* of the risks that go together with the benefits inherent in that common enterprise. This governing vision of *mutuality, participativeness* and *partnership*, or *common interest* instead of self-interest, can be contrasted to the generally one-sided affair in conventional banking (including so-called 'Islamic' banking) in which capital is merely rented out by one party, say the bank, to another, the businessman/entrepreneur, through various elaborate mark-up instruments, thus ensuring guaranteed returns to the bank without at all obliging it in anyway to participate in the risks inherent in the enterprise, risks which are to be borne exclusively by the businessman/entrepreneur.

Even informal, social giving or general voluntary charity and alms giving (*ṣadaqah*) has been institutionalised in Islam into a system called *waqf* (charitable endowment). Through the formal, legal system of *waqf*, a normally one-off gift is transformed a particular kind of charitable capital that indefinitely generates either revenue or usufruct or both which perpetuates for its specified beneficiaries the benefits of that initial act of giving. Thus *waqf* is also called *ṣadaqah jāriyah*[26] = 'perpetual charity', an "ongoing" charity that is always current, whose benefit always flows out to the beneficiaries as long as the original charitable corpus stands or is preserved and maintained. In the *waqf* (literally, to retain, to restrain, to reserve) system, private wealth is voluntarily *retained and dedicated* for the perpetual, free provision of public goods and services in order to serve the larger, public interest of the community, in the hope of generating perpetual spiritual reward to the *wāqif* or endower, who takes to heart the Qur'ānic admonishments: *lā tanālū al-birra ḥattā tunfiqū mimmā tuḥibbūna* = "you will not attain to piety until you spend of that which you love,"[27] and *yā ayyuhā alladhīna āmanū anfiqū mimmā razaqnākum* = "O believers, give of what We have provided for you..."[28]

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[23] Translations of these terms into English have largely followed those given in Nuh Ha Mim Keller, trans. & ed., *Reliance of the Traveller: A Classic Manual of Islamic Sacred Law*, new ed. (Beltsville, Maryland: Amana Publications, 1997).

[24] There are lexical and technical, *fiqhi* differences in the meaning of these four terms, but they all denote the general meaning of *giving away* something of value for a *worthy* purpose. For instance, *infāq* means to spend something in support of a *good* cause, like to support your family or relatives (*nafaqah*) or to set up a charitable endowment (*waqf*).

[25] A serious study in English is Farishta G. de Zayas, *The Law and Institution of Zakāt* (Kuala Lumpur: The Other Press, 2003).

[26] See *Ṣaḥīḥ Muslim*, ḥadīth #4199 in the commentary of al-Imām al-Nawawī, *al-Minhāj Sharḥ Ṣaḥīḥ Muslim ibn al-Ḥajjāj*, 18 parts in 10 vols., including Index vol. (Beirut: Dār al-Ma'ārif, 2000/1421), pt. 11, vol. 6, pp. 87; see also the following ḥadīths #4200, #4201 and #4202 in the Chapter of *Waqf*.

[27] *Āl 'Imrān*: 92.

[28] *al-Baqarah*: 254; Cleary's translation.

In contrast, neoliberal privatization is a system in which public wealth is retained (or *enclosed*, hence the so-called "enclosure of the commons") and dedicated for the provision of private profit in which the larger communal interest is only of an *ad hoc*, marginal and incidental consideration, despite sweet-sounding political rhetorics and elaborate economic jargon to the contrary.[29] In the case of *waqf* we have the "pouring-out" economy, whereas in the case of privatization we have the "trickle-down" (i.e., cream for the rich, crumbs, if any, for the poor) economy. On the one hand we have the Islamic Gift Economy (IGE), and on the other hand we have the Neoliberal Scoop Economy (NSE). Since as Muslims (or as decent human beings) we can't have both, we better then think carefully which of the two systems we want to adopt, develop and implement, at the communal, national, regional and global levels of exchange.

It is in the nature of giving, gifting and the gift that ultimately nothing is actually given away never to return to the giver. As a matter of fact, the giver, instead of being impoverished, stands to benefit as much as if not more than the receiver, in both material and spiritual terms, for, indeed, if everyone gives then every one receives, and none is left out, and everyone is embedded and is participative in the material and cultural life of the community: *wa mā tunfiqū min khayrin yuwaffa ilaykum wa antum lā tuẓlamūn* = "and whatsoever good thing you spend, it will be repaid to you in full, and you will not be wronged."[30] The basic idea here is that wealth must always be circulating amongst people and *not* be systemically siphoned off from the community into the hands of the rich to be accumulated for self-serving interest, "so that it won't circulate among the wealthy in your midst."[31]

The universal ethical principle of reciprocity (*tabādul*, *ta'āwun*, *tarāḍin*, *murāḍāh*, *mushārakah*, *jazā' al-iḥsān bi al-iḥsān*) underlies the gift culture of traditional Islamic societies, including traditional, non-westernized cultures in general.[32] This principle of reciprocal giving and receiving is enshrined in the Qur'ānic verse: *hal jazā' al-iḥsān illā al-iḥsān* = "is the recompense of goodness aught save goodness?"[33] In a community in which everyone gives, everyone receives also, and most times, everyone receives in return much more than what he or she has given out in the first place, hence none is left out, none is marginalized or alienated or ostracized, but everyone *belongs* as a way of truly humane living well expressed in the South African traditional sociocultural concept of *ubuntu*. As Justice Mahomed Jaybhay explains it:

> In South Africa the culture of ubuntu is the capacity to express compassion, justice, reciprocity, dignity, harmony and humanity in the interests of building, maintaining and strengthening the community. Ubuntu speaks of our inter-connectedness, our common humanity and the responsibility to each that flows from our connection....Ubuntu means that people are people through other people....It not only describes human being as "being-with-others," but also prescribes how we should relate to others, i.e. what "being-with-others" should be all about.[34]

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[29] In a personal communication, Mohamed Elmeadawy points out that multinational corporations, driven by expansionism, growth and profit maximization, not only dominate strategic services of the nation in question and drain public money into their pockets, but also the people end up by *not receiving the service at* all; for the corporations, after buying at fire-sale prices promise quality services that they price at a range beyond what most of the poor can afford, and so the people can't pay and hence can't get the service, as was the case with water privatization in Bolivia in 1999 and later on in South Africa.

[30] *al-Baqarah*: 272.

[31] *al-Ḥashr*: 7; translation by Thomas Cleary, *The Qur'an: A New Translation* (Starlatch, www.starlatch.com, 2004), 271.

[32] See the famous study by the French sociologist Marcel Mauss, *The Gift: Forms and Functions of Exchange in Archaic Societies* (London: Routledge, 1990). For a good insight into the intimate link between the gift and the *economy of abundance* instead of scarcity, see Marshall Sahlins, *Stone Age Economics* (London: Routledge, 2003); see also in this regard his seminal article extracted from that book, "The Original Affluent Society," accesible at http://www.primitivism.com/original-affluent.htm. For a forceful debunking of the "self-interestedness" conception of human nature in modern economics, see also his *The Western Illusion of Human Nature* (Cambridge: Prickly Paradigm Press, 2008).

[33] *al-Raḥmān*: 60.

[34] Justice Mahomed Jaybhay, "The Spirit of *Ubuntu*," in *Awqaf Insights* (2007/1428), 10—12, on 10—11.

The Nature of the Gift

Before we go on, it is good for the enhancement of our critical understanding of the meaning and practice of mutual giving and receiving if we go further into analyzing the nature of the gift, both conceptually and culturally. I think it is best that we do this by looking at the various forms of giving, or rather, "gifting," in the traditional communities which many of us still live in, or identify with, or have learnt about. Maybe I can start by giving my own experience of traditional gifting in Malaysia, my home country (as encapsulated in the term *gotong royong* = "mutual helping").[35] We may also be acquainted with some of the inspiring examples of the giving and gifting culture in South Africa where I visited twice recently on the generous invitation of its non-governmental (or rather, civic societal) National Awqaf Foundation (AWQAF SA)[36] to talk and exchange views and experiences on this very topic of giving in its various forms, tangible and intangible, especially in the form of *waqf*.

Now, the significance of *waqf* for the tiny yet relatively affluent South African Muslim minority (roughly 1.8—2% of population of almost 50 million), is that its beneficiaries need not be restricted to Muslims but can also include non-Muslims, especially the still economically marginalized majority black African population. Hence *waqf* is one of the most effective ways by which affluent South African Muslims can give back to the land on which they found their home and prosperity and thereby embed themselves firmly into the larger South African cultural landscape as indigenous sons and daughters of the soil.

We can also invoke some of the many, high quality formal academic, specifically anthropological, studies that have been undertaken on the culture of gifting in both historical and contemporary times, in both Muslim[37] and non-Muslim societies.[38] We can even invoke some clear-cut instances of the gift economy so evident in aspects of American frontier life by which the "West was Won" by pioneer families and communities. As a matter of fact, I am particularly fond of the classic children book (actually, it is for all ages) *Little House on the Prairie* by Laura Ingalls Wilder,[39] as a rather good, inspiring resource in regard thereof.

The Gift & the Problem with Islamic Banking & Finance

Contemporary discourse on Islamic economics is too narrowly focussed on issues related to Islamic banking and finance (IBF), whereas Islamic Economics, by definition, involves also domains of exchange other than the purely financial or commercial or market-driven. As a matter of fact, it can be shown from Islamic economic history and the formal *fiqh* of *mu'āmalah* that by far the major domain of exchange in an Islamic economy is the voluntary, devotional and communal one, involving the operative mechanisms of *zakāt*, *ṣadāqah*, *waqf*, *hibah*, *qarḍ ḥasan*, *hadiyah*, *farā'iḍ/mirāth*, *waṣiyyah*, including non-monetary lending and borrowing of tools and facilities, and reciprocal non-financial exchange of skills, services and expertise, and even goods. I think that it can be argued quite empirically that these non-market exchange mechanisms were in fact just as, if not more, efficient in the just, equitable and timely allocation of natural and cultural resources to those who needed them most.

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[35] For more on *gotong royong*, see http://en.wikipedia.org/wiki/Gotong_royong. For gotong royong in action, see Floor Grootenhuis, "Yogyakarta Earthquake Community Recovery Grants supporting *gotong royong*," in *From Poverty to Power: How Active Citizens and Effective States Can Change the World* (Oxfam International, 2008), http://www.oxfam.org.uk/resources/downloads/FP2P/FP2P_Yogyakarta_Earthquake_CS_ENGLISH.pdf.

[36] See their website, www.awqafsa.org.za.

[37] For some case studies of the Islamic Gift Economy, see Benjamin Soares, *Islam and the Prayer Economy: History and Authority in a Malian Town* (University of Michigan Press, 2005). See also Benjamin Soares, "The Prayer Economy in a Malian Town" (https://openaccess.leidenuniv.nl/dspace/bitstream/1887/9400/1/ASC_1293978_001.pdf). For the Mamluk gift economy and the role of pious endowments within it, see Adam Sabra, *Poverty and Charity in Medieval Islam: Mamluk Egypt, 1215-1517* (Cambridge: Cambridge University Press, 2000); also Michael Bonner, Mine Ener and Amy Singer, eds., *Poverty and Charity in Middle Eastern Contexts* (New York: SUNY, 2003); Amy Singer, *Constructing Ottoman Beneficence: An Imperial Soup Kitchen in Jerusalem* (New York: SUNY, 2002); Holger Weiss, ed., *Social Welfare in Muslim Societies in Africa* (Stockholm: Nordiska Afrikainstitutet, 2002).

[38] For a brief, general analysis of the gift economy, see Gifford Pinchot, "The Gift Economy," in *In Context*, no. 41 (Summer 1995), accesible at http://www.context.org/ICLIB/IC41/PinchotG.htm. A book length treatment in the context of modern industrial societies is David J. Cheal, *The Gift Economy* (London: Routledge, 1988).

[39] Special read aloud edition (New York: Harper Collins, 1981).

One fundamental problem with current IBF, as pointed out by Meera, Larbani, Cook and many others, is its adherence to the Fractional Reserve Banking (FRB) model also adhered to by conventional, usurious banks by which deficit-based money is created as credit as a multiple of the capital base in accordance with the capital requirements set out by the Bank of International Settlements (BIS) in the 1988 Basel Accord.[40] So we have a situation in which an Islamic bank may be fully compliant *on paper* in its contractual form with the basic principle of loss and profit sharing in its business relations with customers, but the fact remains *at bottom* that the bank is funding its investment through fiat money it creates out of nothing thanks to the usurious FRB principle. According to Cook, "this reality is at best not made clear by Islamic banks and is at best deliberately obscured," and thus he concludes that "Islamic banking as currently practised is an Islamic veneer on an un-Islamic reality."[41] As Meera and Larbani elaborates:

> Fractional reserve banking (FRB) is the basis of the present day monetary systems. In most countries, Islamic Banking and Finance too operates under this principle....FRB has effects on the ownership structure of assets in the economy, and that this effect violates the Islamic principles of ownership....money creation through FRB is creation of purchasing power out of nothing which brings about unjust ownership transfers of assets in the economy, to the bank effectively, paid for by the whole economy through inflation. This transfer of ownership is not based on human effort by taking on legitimate risks and neither with the knowledge nor the consent of the initial owners. These violate the ownership principles in Islam and tantamount to theft. It also has the elements of riba. On the same basis, Islamic governments should not create fiat money since this is equivalent to taking assets of the people, rich and poor alike, forcefully without compensation. It is, therefore, important that Shariah scholars come up with a fatwa on both the fiat money and the fractional reserve banking system. Such a fatwa is urgent and pertinent before Islamic banking and finance, that operate under these systems, takes a course that may prove to be difficult to reverse later. The Islamic economic and finance system cannot be founded upon a money system that is fundamentally equivalent to theft and riba.[42]

In short, fractional reserve banking allows the very few to consume the wealth of the great majority wrongly and unjustly; *wa lā ta'kulū amwālakum baynakum bi al-bāṭil* = "and do not consume your wealth amongst yourselves in vanity...."[43]

Another problem in the current obsession with IBF is what has been called the *murābaḥah* (rent-seeking) syndrome,[44] which is the emphasis on loan- or debt-financing (even though this may be "asset-backed")[45] by means of elaborate mark-up instruments to ensure lucrative, risk-free profit on the part of

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[40] Chris Cook, "21st Century Islamic Finance," in *Awqaf Insights* (2007/1428), 18—19.
[41] Chris Cook, "21st Century Islamic Finance," in *Awqaf Insights* (2007/1428), 19.
[42] Ahamed Kameel Mydin Meera and Moussa Larbani, "Ownership Effects of Fractional Reserve Banking: An Islamic Perspective," in *Humanomics*, vol. 25, no. 2 (May 2009), 101—116. See also Ahamed Kameel Mydin Meera and Moussa Larbani, "Seigniorage of Fiat Money and the *Maqasid al-Shari'ah*: The Unattainableness of the Shari'ah," in *Humanomics*, vol. 22, no. 1 (2006); and idem, "Seigniorage of Fiat Money and the *Maqasid al-Shari'ah*: The Compatibility of the Gold Dinar with the *Maqasid*," in *Humanomics*, vol. 22, no. 2 (2006).
[43] *al-Baqarah*: 188; Cleary's translation.
[44] Tarik M. Yousef, "The *Murabaha* Syndrome in Islamic Finance," in Clement M. Henry and Rodney Wilson, eds. *The Politics of Islamic Finance* (Edinburg: Ediburgh University Press, 2004), 63—80.
[45] As elaborated by, for instance, Mufti Muhammad Taqi Usmani, *An Introduction to Islamic Finance* (New Delhi: Idara Isha'at-e-Diniyat, 1999), 18—22, though he admits (on page 151) that "*Murabahah* is not a mode of financing in its origin. It is a simple sale on cost-plus basis." He then proceeds to place strict conditions on it for it to be legally valid (pp. 151—154) and says (p. 153) that "It should be noted with care that *murabahah* is a border-line transaction and a *slight departure* from the prescribed procedure makes it a step in the prohibited area of interest-based financing." (last italics mine).

the financing institution regardless of the economic situation of the borrower or the financial performance of the borrowing enterprise. This predilection for loan-/debt-financing results in the systemic marginalization of venture capital financing (*qirāḍ/muḍārabah*) and financing by means of the business partnership (*shirkah, mushārakah*) in which the financing institution or investor provides (i.e., *gives* instead of lends) capital and *participates* in the conduct and outcome of the enterprise, which is thus seen and treated as a truly *common* enterprise.

To my limited knowledge (especially since I have taken a serious interest in economic issues only last year), there is only one Islamic banking group in the whole world that is exclusively devoted to equity-financing and venture capital financing,[46] while the rest is mainly devoted to conventional *murābaḥah*, rent-seeking instruments, with venture capital (*qirāḍ*), business partnership (*sharikah*), and the goodly loan (*qarḍ ḥasan*) thrown in only as an afterthought to justify the label "Islamic." Even when it comes to equity or venture capital financing, as in the case of that particular bank or rather venture capital investment company, the question arises as to whether the investment portfolio is spread out more or less evenly over both up-scale projects yielding high returns and medium- to small-scale ones yielding relatively low returns, or concentrated on the up-scale ones. If the latter then it is no better in essence than conventional western venture capital firms whose motivation is mainly very high profit margins over the short and medium terms, with little or no concern for contributing to, and participating in, the larger communal well-being in which a particular enterprise is located.

In contrast, Islamic venture capital would be one whose investment portfolio is more or less evenly spread out over both market-driven and *community-driven* productive investment projects. In this way equitable allocation and reallocation of productive wealth are built into the general business culture in which the focus is not on financial growth *per se* but, much more importantly, on communal wellbeing and cohesion. Such a way of doing business will still make money and generate moderate profit and even moderate growth over time up to a certain size beyond which a part of the company could break off and become a separate, automonous entity, thus preempting over-accumulation and over-concentration of capital and wealth in the hands a few individuals or organizations.

The ideal company or corporate organizational structure would then be a management- *cum* employee-owned enterprise instead of the present conventional structure in which ownership is largely vested in far-away absentee investors or shareholders (financially headquartered and coordinated for the most part at Wall Street) who don't really care a damn about the enterprise except as a disembodied, money-making machine. So while the Islamic Gift Economy (IGE) willingly *participates* in the well-being of the community, the Wall Street Scoop Economy (WSSE) deliberately *free-rides* parasitically on communal wealth and sucks it dry (which explains the recent system-wide financial and economic melt-down in the United States).[47]

Rethinking Money, Finance & Economics

Of course, if we think along these radical (i.e., values-based-going-to-the-root-of-the-problem) lines, then we obviously have to rethink the concepts of 'bank' and 'banking', including the mutually related concepts of 'money', 'cost', 'benefit', and 'profit'; the concepts of the 'firm' and the 'corporation', employer-employee and management-owner relationships; the organization of labor and commerce, and ultimately the concepts of 'economics', 'growth', 'wealth' and 'development'; including the largely unexamined concept of the GDP/GNP (Gross Domestic Product/Gross National Product) as a measure of well-being which has been so hegemonic over our economic thinking for the past five decades or so.[48]

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[46] Venture Capital Bank, set up in 2005, claims itself to be the first Islamic investment bank in the GCC and MENA region to specialise in venture capital; see its website, http://www.vc-bank.com.

[47] See, for instance, Matt Taibbi, "The Great American Bubble Machine," in *Rolling Stone* (July 13, 2009), 1082—1083, http://www.rollingstone.com/politics/story/29127316/the_great_american_bubble_machine.

[48] The basic problem with the GDP is that it does not differentiate between costs and benefits, and hence it sees both as *productive* output. Alternatives to the GDP include ISEW (Index of Sustainable Economic Welfare) and GPI (Genuine Progress Indicator), see "Progress," and "Genuine Progress Indicator," in *Adbusters* (August/September 2009), 33—35. For an alternative to the GNP, see Clifford W. Cobb & John B. Cobb, Jr., *The Green National Product: An Alternative to Gross National Product* (Lanham, Md.: University

It is beyond the scope of this general revisioning to go into these rethinkings in any detail. I myself have started researching these rethinkings only recently and am still in the process of critically synthesizing them into a coherent, viable whole that can at once engages conventional economics leading to a positive *counter-economics* and yet be grounded in our worldview, tradition and history. But if we have more intellectuals, researchers and ulamas joining hands and minds in doing systemic rethinking of these foundational *muʿāmalah* issues, then eventually something positive will bear fruit, intellectually and operationally, in the very near future, *in shā Allāh*. By way of example, I believe everyone should seriously consider Chris Cook's very sound and practical ideas on "21st Century Islamic Finance," based on various forms of "debt-free asset-based finance" and "mutual interest-free deficit-finance or credit" that are "entirely consistent with the values underpinning Islam."[49]

It should also be pertinent to say here that this manner of systemic rethinking has been taking place for some time amongst the more conscientious economic and social thinkers and intellectuals of the West, such as Karl Polanyi,[50] E. F. Schumacher,[51] Kenneth Boulding,[52] Bill McKibben,[53] Herman Daly,[54] Howard Zinn,[55] Noam Chomsky[56] and Hazel Henderson,[57] including Mark Anielski (with his interesting book, *Economics of Happiness*),[58] many of whose proposed solutions are in harmony, at least in spirit, with the Islamic imperatives of giving, gifting, sharing, temperance, moderation, justice, mutuality and gratitude, as these were realized in the long history of our traditional, community-centered socio-economic institutions.

Muslim economists, including intellectuals, policy makers, *fuqahā'* and ulamas in general, should make it an aspect of their communal obligation (*farḍ kifāyah*) to take a deep, critical interest in these constructive trends toward an alternative or counter-economics, and contribute a proactive, systemic and creative Islamic viewpoint to the global post-economic discourse. One important aspect of this communal intellectual obligation would be for ulamas, researchers and intellectuals to work together to rearticulate traditional Islamic economic ethics[59] in contemporary terms, and then to systemically work out the implications of this ethics for what is actually happening on the ground now in the modern economy. Thus the IGE outlined here can be the basis of a comprehensive, long term Islamic Economics Research Program (IERP) leading to the eventual reclaiming and reviving of our civilizational heritage in the economic domain of life. Our tradition is the beacon of the present toward the future.

And so, in tandem with the growing worldwide trend *away* from the Scoop *toward* the Gift economy, leading eventually to a future of *global conviviality*,[60] Muslims today should remind themselves

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Press of America, 1994). In the small Buddhist country of Bhutan, the state uses its own homegrown holistic Gross National Happiness (GNH) to replace the GNP. I believe Muslim countries should follow suit!

[49] Chris Cook, "21st Century Islamic Finance," in *Awqaf Insights* (2007/1428), 19—20; see also idem, "Limited Liability Partnerships as Development Mechanisms," in *Awqaf Insights* (2007/1428), 23—26.

[50] Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957).

[51] Ernst Freidrich Schumacher, *Small is Beautiful: Economics as if People Mattered* (New York: Harper, 1989); see also his *Good Work* (New York: Harper & Row, 1979).

[52] Kenneth E. Boulding, *The Meaning of the Twentieth Century* (New York: Harper & Row, 1964); see also his *Beyond Economics* (Ann Arbor: University of Michigan Press, 1968).

[53] Bill McKibben, *Deep-Economy: The Wealth of Communities and the Durable Future* (Oxford: Oneworld, 2007).

[54] Herman. E. Daly, *Beyond Growth: the Economics of Sustainable Development* (Boston: Beacon Press, 1997); see also Herman Daly, John B. Cobb, Jr. & Clifford W. Cobb, *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future* (Boston: Beacon Press, 1994).

[55] *A People's History of the United States* (New York: Harper & Row, 1980); see also the new, abridged teaching edition (New York: New Press, 2003).

[56] Noam Chomsky, *Profits over People: Neoliberalism and Global Order* (New York: Seven Stories Press, 1999).

[57] Hazel Henderson, *Beyond Globalization: Shaping a Sustainable Global Economy* (West Hartford, Connecticut: Kumarian Press, 1999).

[58] Mark Anielski, *The Economics of Happiness: Discovering Genuine Wealth* (New Society Publishers, 2007); cf. the important book on the intrinsic relation between civil happiness, civil society and civil economy, and how that relation was subverted, by Luigino Bruni, *Civil Happiness: Economics and Human Flourishing in Historical Perspective* (New York: Routledge, 2006).

[59] For instance, the economic ethics of al-Rāghib al-Isfahānī (d. 443/1060) as nicely summarized in Yasien Mohamed, *The Path to Virtue: The Ethical Philosophy of al-Rāghib al-Isfahānī, An Annotated Translation, with Critical Introduction, of Kitāb al-Dharīʿah ilā Makārim al-Sharīʿah* (Kuala Lumpur: ISTAC, 2006), 375—414.

[60] Ivan Illich, *Tools for Conviviality* (New York: Harper & Row, 1973). See also, Abdullah Sharif, *Creating a World that Works for All* (San Franscisco: Berret-Koehler Publishers, 1999).

(through the works of Professor Murat Cizakca for instance)[61] that they *do* have a 1,000-year civilizational track record in developing a successful and prosperous *global gift economy*, and that they should start revisiting, reviving and reliving that track record,[62] both for their own well-being and for the well-being of humanity at large, and both for today and for the future: *wa jaʿalnākum shuʿūban wa qabāʾila li yataʿārafū* = "and We have made you nations and tribes that you may be acquainted with one another."[63]

wa man yashkur
fa innamā yashkuru li nafsihi

and whosoever gives thanks,
he gives thanks for the good of his soul.[64]

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[61] Murat Cizakca, *A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present* (Istanbul: Bogazici University Press, 2000); idem, *A Comparative Evolution of Business Partnerships: The Islamic World and Europe, with Specific Reference to the Ottoman Archives* (Leiden: Brill, 1996); idem, "Ottoman Cash Waqfs Revisited: The Case of Bursa 1555—1823," in *Foundation for Science, Technology and Civilization Limited* (June 2004), 1—20. See also the many articles downloadable from his personal website.
[62] As is happening in Egypt for instance; see Daniela Poppi, "From Religious Charity to the Welfare State and Back: The Case of Islamic Endowments (*waqfs*) Revival in Egypt," in *EUI Working Papers*, RSCAS No. 2004/34, 1—12.
[63] *al-Ḥujurāt*: 13.
[64] *Luqmān*: 12.