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**Rethinking Money: The Formative Years
of Islamic Finance, 1900 - 1975**

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Though Islamic economics, often used synonymously with Islamic finance, possesses an extensive general bibliography, very little has been written about its historical development as an idea in the Arab world. Still less has addressed the relationship of Islamic economics to decolonization. Through a series of snapshots of specific historical junctures and special focus on the representative writings of Shiite cleric Muhammad Baqir al-Sadr, this dissertation traces the formative years of Islamic economics in the Arab world. Two primary questions drive the analysis in this project: First, why and how was Islamic economics conceived as a form of spiritual and material decolonization? Second, why did Islamic economics eventually come to be defined narrowly as a form of banking primarily derived from Western conventional models? An examination of Western conventional banking's nineteenth century eclipse of previous Ottoman economic structures, followed by an analysis of the religious political economy driving the rise of Islamic finance as an idea in the early twentieth century, serve to introduce the

origins of Islamic economics as an idea with enduring resonance, explaining its salience, urgency, and popular appeal. Then, the dissertation introduces the major relevant works of al-Sadr, *Falsafatunā* (*Our Philosophy*, 1959), *Iqtisādunā* (*Our Economics*, 1961) and its important second edition preface (1968), and *Al-Bank al-lā-Ribawī* (*The Usury-Free Bank*, 1969), analyzing them as canonical texts in the theorization and development of Islamic economics in practice, with specific reference to the surrounding moment of Arab decolonization in which they were written. Islamic economics, as idea and as phenomenon, is ultimately a form of identity assertion and religious reclamation as much as economic practice. As a form of banking, it served a further decolonizing goal: as a means to compete successfully in the global arena with its Western conventional counterpart. As such, Islamic economics is an example of decolonization in both the spiritual and material realms.

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Introduction

Much of the literature in the voluminous bibliography of Islamic finance, Islamic banking, and Islamic economics—typically considered under the same conceptual umbrella—takes the 1960s and 1970s as its analytical starting point. Written predominantly in English, the majority of these works were published from the 1990s on and are not histories.¹ They are, instead, introductions to and descriptions of the vast array of Islamic financial products that are on the market—often with explanatory details regarding the ethical grounding and Islamic bona fides of the products²—or economics analyses of the performance of Islamic products in different markets.³ The histories that

¹ As a very small sample, see, e.g., M. Kabir Hassan and Mervyn K. Lewis, eds. *Handbook of Islamic Banking*. (Cheltenham, UK: Edward Elgar Publishing, 2007); Ali, S. Nazim. *Islamic finance: current legal and regulatory issues*. (Cambridge, Mass.: Islamic Finance Project, Islamic Studies Program, Harvard Law School, 2005); Muhammad Taqi Usmani *An Introduction to Islamic Finance* (Hague: Kewer Law International, 2002).

² See, e.g., Gamal, Mahmoud A. *Islamic Finance: Law, Economics, and Practice*. (Cambridge: Cambridge UP, 2006); Usmani (2002), Zamir Iqbal and Abbas Mirakhor *An Introduction to Islamic Finance: Theory and Practice* (Singapore: Wiley, 2007). Because this literature is so prolific, and because the financial products themselves are so numerous and so heavily publicized and marketed, conceptual and practical examples are few in this analysis, limited to chapters three and four.

³ See, e.g., Masudal Choudhury, *Islamic Economics and Finance*. (Emerald Group Publishing, Ltd., 2011); Mohsin S. Khan and Abbas Mirakhor, eds. *Theoretical Studies in Islamic Banking and Finance*. (Houston: The Institute for Research and Islamic Studies, 1987). Of note,

are included in most of these volumes—if they exist at all—are thus not the center of analysis or its driving motivation, and as such they are cursory, usually comprising only a few pages.⁴ As introductions to books that are often focused on branding or instructing business students, Islamic economics history in these volumes is typically limited to a brief allusion to Islam’s oldest juristic rulings on mercantile exchange.⁵ A reader may be forgiven for assuming from these summaries that Islamic economics as it is now practiced is an enduring phenomenon, extending back to Islam’s earliest origins. Other more technical texts offer rigorous analysis of the Islamic theological credentials of different banking products, describing their precedents and justification in the jurisprudential literature.⁶ Much of the literature on Islamic finance, produced by business journals and Muslim scholars, is characterized either by an overt goal to sell the reader on the financial and spiritual benefits of Islamic finance or by a more neutral desire to inform the reader on Islamic finance basics. Analysis and critique are quite rare.

English—interspersed with Arabic financial terms—is the language of most Islamic banking literature because of its international character.

⁴ Books such as Karim Ginena and Azhar Hamid’s *Foundations of Shari’ah: Governance of Islamic Banks* (Wiley, 2015) for instance, focus on the nature of Islamic law and its use in Islamic banks. The historical components of the text are pre-modern, with a little over a page dedicated to the twentieth century calls for Islamic banking. See 256- 57. On the other hand, Amr Mohamed el Tiby Ahmed and Wafik Grais *Islamic Finance and Economic Development: Risk, Regulation, and Corporate Governance* (Wiley Finance, 2014), begin their discussion in the 1960 and 1970s without attempting to contextualize the reasons for the sudden growth of Islamic banks. See Chapter One, 3- 10.

⁵ See, e.g., Ginena and Hamid.

⁶ Ibid.

Historicization of this phenomenon as a uniquely twentieth-century response to specific historical factors is, therefore, not common.⁷ There are several reasons for this lacuna. Foremost among these is that, increasingly throughout the twentieth century and picking up speed with the revolutionary decolonizing movements of the 1950s Middle East, the concept of Islamic economics entered the zeitgeist of the Arabic-speaking world in force. Region-wide, scholars, students, and politicians—both secular and religious—began to discuss and debate the possibility of an Islamic economics in the form of Islamic banking in their writings. Because of the burst of publications, a proper intellectual genealogy of the rise of Islamic economics concepts in the climate of ideas from this time period would fill volumes, as different publications on the subject appeared throughout North Africa and the Middle East in record numbers.

Second, Islamic banking in these nascent stages was primarily experimental; those banks that did attempt Islamic offerings often did not brand themselves as entirely Islamic, operating instead as conventional Western banks with niche Islamic offerings. Third, though the Arab East and its oil wealth make it the largest player in terms of investment in the contemporary global Islamic economy,⁸ populous non-Middle Eastern Muslim countries also acted as the fore-runners and path-breakers of Islamic finance. Malaysia and Indonesia were primary drivers, shaping the earliest successful experiments

⁷ Although not a history, one of the best introductions to Islamic economics is Ibrahim Warde's *Islamic Finance in the Global Economy* (Edinburgh: Edinburgh University Press, 2010). Though its breadth precludes detailed analysis of Islamic economic history, Warde reviews areas often omitted from other texts.

⁸ For a comparative chart, see, e.g., Naveed, "Al Rajhi Remains World's Largest Islamic Bank." Islamicfinance.com <https://www.islamicfinance.com/2015/07/al-rajhi-worlds-largest-islamic-bank/> (accessed May 20, 2017).

in Islamic banking in the 1980s and 1990s,⁹ and many of the most interesting writers on Islamic economics from the 1940s on—several of them widely read in the Arab Middle East—were Indian nationals.¹⁰ The global thrust of the idea, informing and exciting Muslim networks from the Middle East to Southeast Asia as the twentieth century progressed, marks it as both historically significant and as difficult to synthesize because of the different localized regional and national forces at play.

Finally, the early, formative period is often left unmentioned because Islamic finance did not truly become viable in the Middle East until after the fall of the U.S.S.R. and the subsequent re-structuring and liberalization of the global economy. Though the 1960s - 1980s are universally acknowledged as the time period when practical experiments in Islamic banking had their beginnings, most early banks in the Middle East either failed or had limited financial offerings, making Islamic economics of this time more aspirational than real. As a result, a significant proportion of the voluminous data available on Islamic economics, Islamic banking, and Islamic finance is heavily or even exclusively focused on the late twentieth and early twenty-first centuries.

⁹ For a brief introduction to Islamic banking in Malaysia, e.g., No author. “Islamic Banking and Takaful.” [bnm.gov.my](http://www.bnm.gov.my)
http://www.bnm.gov.my/index.php?ch=fs_mfs&pg=fs_mfs_bank (accessed May 20, 2017). This government site, written in both English and Malaysian, is representative of a great deal of the kinds of data available.

¹⁰ These include Nejatullah Siddiqui, Allama Syed Sulaiman Nadvi, and, perhaps the most famous in the Arabic speaking world, Syed Abul A'la Maududi, a prolific and widely-read writer.

There is, in other words, a significant gap in the literature on the formative years of Islamic finance. Even at the most general level, few works attempt to answer the question of why religious identity in the early-to-mid twentieth century Middle East had become coupled with economic and financial practice. Still fewer approach the question of why Islamic economics, initially the brainchild of clerics and preachers, ultimately proved compelling enough to become a realized and popularized global phenomenon in the form of Islamic banking in the 1970s. This project began as a search for an answer to those questions.

Through the course of my research, an issue came into sharp relief, notable because, despite its obvious importance, it was entirely unanalyzed in any article or book I came across: Islamic economics, and its realization in the form of Islamic banking, were originally conceived explicitly as forms of material and psychological decolonization. In other words, despite its name, the history of Islamic economics in the Arab Middle East is not only an economic history. The history of Islamic finance is also a chapter in the history of Arab decolonization. This dissertation is a history that accounts for the inseparability of these two seemingly disparate realms of Arab decolonization—the religious and the economic; the spiritual and the material—in the form of Islamic economics.

In order to limit its conceptual scope, two main questions drive this project: First, why— and how—was Islamic economics conceived as a primarily psycho-spiritual form of decolonizing resistance? From its very inception, Islamic economics in the Arab world was not typical of discourses of decolonization or of economics. For example, though its formative texts engage to a greater or lesser extent with broader colonially-introduced socioeconomic theories including Marxism, socialism, and capitalism, Islamic economics

never positioned itself as an economic decolonization akin to, for example, economic nationalism. How are we to understand this? Second, in keeping with the forward-looking nature of historical inquiry: How and why did Islamic economics—a topic whose potential permutations are vast—come to be narrowly defined as Islamic banking and finance by the 1970s?¹¹ This last is more significant than it may sound on the surface. The first Islamic banks and financial products were intentionally designed from the outset to dovetail with their Western conventional counterparts. They were so successful in this endeavor that Islamic finance is often considered unremarkable by economists, dismissed as a niche market whose products neither disrupt nor innovate.¹² Given that Islamic banking is a phenomenon whose contemporary practices and products are not markedly different from products in the Western conventional market at large, how could it have been initially conceived as decolonizing— or even as particularly Islamic? By answering these questions, this dissertation does more than provide a first installment in the early cultural and intellectual history of Islamic finance. It also participates in the developing field of Arab decolonization studies, juxtaposing disciplinary approaches and historiographies that are not often examined together.

Because the potential parameters of a foray into the intellectual and cultural origins of Islamic finance in the Middle East are too broad to encapsulate in a single project, this dissertation further limits its temporal scope by focusing on the formative

¹¹ In much of the Islamic finance literature, “Islamic economics” and “Islamic finance” are used interchangeably. For the sake of clarity in this project, “Islamic economics” refers to the theory as a whole, and “Islamic banking” or “Islamic finance” only refer to actual banks and financial practices.

¹² See, e.g., No author listed, “Big interest, no interest: The market for Islamic financial products is growing fast,” *The Economist*, September 13, 2014.

period in the Arabic-speaking Middle East. Centered around the Ottoman imperial bankruptcy in 1875, the dissertation begins with a key stage-setting historical transition: Western conventional banking's eclipse of the former Ottoman Islamic system. The dissertation then traces the formative intellectual and cultural state-building period of the early-to-mid twentieth century, focusing on the political economy and historical circumstances that lent the concept of an Islamic economics salience and urgency in the mind of Muslim clerics, Sunni and Shii alike. After a close evaluation of several canonical Arabic Islamic economics writings, the dissertation concludes by putting them once more in their broader regional context with the establishment of the first Islamic banks in the Middle East in the 1970s.

As a form of banking, Islamic economics is a material and physical decolonization, measurable in ledgers and accounting books; a defiant demonstration of Arab power against a century of colonial culture and its residual economic hold in the Middle East. As spiritual praxis, it is a reflection of the pre-colonial self-conception of the faith: Until the colonial introduction of Enlightenment church-and-state divides, "Islam" was understood as synonymous with "the good life."¹³ Muslims did not think of religion as a "separate and separable" category, parsed from other realms of human experience; "Islam" was a way of expressing the most proper, divinely sanctioned, moral approach to

¹³ As stated by Bobby Sayyid: "Islam is the thinnest of phrases in the Muslims' final vocabulary. It is this thinness which makes it difficult to contest. Ultimately, for Muslims, Islam is another word for 'goodness incarnate.'" Bobby Sayyid, *A Fundamental Fear: Eurocentrism and the Emergence of Islamism* (London: Zed Books, 1997), 48.

human behavior.¹⁴ An inextricable element of the good life, at its purest Islamic economics is, therefore, good or pious or ethical economics. It is the way to best use commerce, trade, taxes, alms, and other sources of income for the building up and the good of the community. It seeks to avoid greed, monopolies, and disproportional risk. And, in keeping with that goal, it specifically eschews interest and credit as suspect means to ensnare the poor and distract the rich from their proper role as benefactors of the community.

In order to return to this pre-colonial concept of good economic life as an extension of (and inextricable from) Islam, theorists of Islamic economics needed to respond to more than the Western credit-based banking and finance that had taken over the lands of the Middle East by the start of the twentieth century. Just as acutely, they needed to respond to the socioeconomic theories flooding in from Europe: capitalism, communism, and socialism. These were not idle or theoretical concerns—most of the modern Middle East had been first divided into nation-states by the colonizers and then, through the first half of the twentieth century, subjected to semi-colonial capitalist governance. As capitalism infiltrated the Middle East, Marxist and socialist ideas, also

¹⁴ Dale Eickelman has called the nineteenth-century Middle East transformation to conceiving of Islam as a religion the “objectification” of Islam; an “emerging perception of Islam as a coherent, systematic, and self-contained set of beliefs and practices, separate and separable from worldly knowledge, which came to displace previously held understandings of Islam as embedded in everyday social practice and as something irreducible to a textbook exposition.”¹⁴ Adeb Khalid, *The Politics of Muslim Cultural Reform: Jadidism in Central Asia*. (University of California Press, 1999), 11. See also Dale F. Eickelman, "Mass Higher Education and the Religious Imagination in Contemporary Arab Societies," *American Ethnologist* 19 (1992): 643, 647-649.

originating from Europe, were translated into Arabic and gained traction, becoming particularly popular as a grassroots decolonizing response to colonialist capitalism by the 1940s and 1950s. Thus, not surprisingly, growing concerns about nearly every aspect of Western economics—from banking practices to economic theory—appear in the writings of secular intellectuals, popular preachers, and the Muslim clerical class, both Sunni and Shii, starting at the turn of the century. Among the latter, regular calls came for an Islamic “Third Way” that stood outside of capitalism and communism. These calls were all the more pressing because, despite the intellectual legacies of its formative orthodox theological schools, Islam had no jurisprudential tradition devoted specifically to the subject of economics. In order to construct a doctrine that could respond to the likes of Adam Smith and Karl Marx, Islamic scholars would need to forge new jurisprudential work, a process called *ijtihād*. Yet, in order to have read Smith and Marx in the first place, these scholars would need access to a secular as well as religious education.

A man uniquely positioned to forge a nuanced jurisprudential response was Iraqi Shiite cleric Muhammad Baqir al-Sadr, an exceptional scholar with training in both the Western secular and Shiite academic traditions. Al-Sadr formed his theory of Islamic economics in response to the Western economic ideas that were gaining marked popularity among his countrymen and women in the 1940s and 1950s. Though many thinkers from throughout the Middle East had been discussing and debating the relative Islamicity of Western-based economics systems for decades, al-Sadr’s extraordinarily focused work is by far the most philosophically grounded, notable for both its depth and breadth. Because of their analytical rigor, his writings, particularly *Falsafatunā* (*Our Philosophy*, 1959) and *Iqtisādunā* (*Our Economy*, 1961), are the chief Islamic economics works analyzed in this dissertation. Several years after the first edition, al-Sadr wrote a preface

to the second edition of *Iqtisādunā* in 1968, grounding its jurisprudential work and anti-communist focus in anti-colonialist rhetoric, and arguing for his vision of Islamic economics as a form of physical and spiritual decolonization for the Muslim community. Immediately thereafter, as a follow-up to his Islamic economics work, al-Sadr wrote a manual conceptualizing Islamic banking, *Al-Bank al-lā Ribawī* (*The Usury-Free Bank*, 1969), likely its earliest practical guide. Al-Sadr's life, works, and broader Shiite community transformations provide a prism through which much broader elements of the multivalent issues informing Islamic economics in the Arab Middle East may be viewed and understood. As such, after a stage-setting chapter on broader economic transformations in the late Ottoman-era Middle East, they make up much of the analysis here.

The history herein is thus not simply a recounting of Arab-Muslim economics. It is a history of cultural reassertion through an idea, with the reclamation of banking and financial practices conceived as a touchstone of both an inner, intellectual and spiritual decolonization, and an outer, society-wide Muslim decolonization. Islamic banking appeared in earnest in the 1970s, a decade of deepening materialism and the hardening of Arab state power, as oil wealth and its global political and economic leverage were being realized through OPEC's exponential growth and attendant economy-stalling embargos. A time of deep society-wide soul-searching, the 1970s were also the formative period of a new form of Arab decolonization: Islamism, and its attendant rejection of Western institutions. Islamic economics, made real in the form of Islamic banking, became an extension of Islamism in this matrix of spiritual return and economic reassertion. Acting as mirror and microcosm of broader regional culture, Islamic economics acted as more than an economic orientation and served more than a pious

religious rationale: It also served as a springboard for Muslim solidarity at the level of the psyche, informing Islamism and Arab banking of the 1970s as much as being shaped by them. In this vein it acted, like most decolonizing mechanisms, as a means to facilitate a form of cultural competition on the material as well as spiritual levels— not only reclaiming culture from the Europeans, but surpassing them in the global economic market by doing so. Thus, Islamic economics serves as both a project of Sunni-Shii jurisprudential transformation and as a Pan-Islamic political means of decolonization, an economic ideology with both measurable material influence and resonance as religious reclamation. Its implications and scholarly relevance cross multiple fields, including religious studies, postcolonial studies, economic history, decolonization studies, and more.

Historiographical Review

Among the thousands of publications on Islamic finance¹⁵ some excellent and informative contributions stand out for the historian. They are included here to give a sense of the kinds of work that have— and have not— been done. Economist and historian Timur Kuran has established himself as one of the pre-eminent scholars of Islamic finance and Muslim economic history generally. His most well known book, *The Long Divergence: How Islamic Law Held Back the Middle East* (2010), situates the blame for the current structural underdevelopment of the Middle East squarely in the hands of Muslim jurists, arguing that Islamic law regulating economic life served as an impediment

¹⁵ These publications, their number and content are discussed in an excellent ethnography of Islamic banking, Bill Maurer's *Mutual Life, Limited: Islamic Banking, Alternative Currencies, and Lateral Reason*. (Princeton: Princeton University Press, 2005), Chapter 1 (24 – 54).

to modern economic development throughout the Ottoman era.¹⁶ His work on contemporary Islamic finance is collected in *Islam and Mammon* (2005), a selection of articles on Islamic finance originally published in different journals and volumes from 1989 to 1997.¹⁷ In both *Divergence* and *Mammon*, Kuran sets himself apart as both Western-trained economist and Muslim cultural critic: in the former volume, he uses his knowledge of economics to critique traditional Muslim regulatory frameworks; in the latter he argues—correctly—that twentieth century Islamic finance is not so much a unique economic system as it is a cultural response to surrounding historical and political forces. His focus and perspective throughout is that of an economist, using economics as the disciplinary lens through which to assess and weigh the merits of Islamic finance. Thus, for example, he argues that Islamic economics has little practical merit because it is a system that lacks overall coherence or notably superior positive outcomes in the form of poverty alleviation or growth.¹⁸ While the essays in *Mammon* are more economics-driven cultural commentary than traditional history, they constitute one of the first and only interventions of their kind in the field, including an essay that explicitly suggests one of my own conclusions: that contemporary Islamic finance is best understood as a means of asserting Muslim identity.¹⁹

Charles Tripp's *Islam and the Moral Economy: The Challenge of Capitalism* (2006) is an encyclopedically-sourced and erudite discussion of the current relationship between Islam

¹⁶ Kuran, *The Long Divergence: How Islamic Law Held Back the Middle East* (Princeton, Princeton University Press 2010).

¹⁷ Kuran, *Islam and Mammon* (Princeton University Press, 2005). The original publication information of the essays is listed on page xvii.

¹⁸ Kuran, *Mammon*, 55.

¹⁹ Kuran, *Mammon*, Chapter 4 (82 – 102).

and different socioeconomic systems, with special focus on capitalism and Islamic socialism. Tripp's work is an invaluable introduction to the bibliography of economics conversations that have been taking place throughout the modern Muslim world from the late nineteenth century to the present, including the Arabic speaking Middle East and Muslim Southeast Asia. A scholar of government, Tripp focuses primarily on introducing and summarizing the twenty-first century political and philosophical debates regarding the moral issues at stake for pious Muslims in an increasingly capitalist global economy. Thus, rather than single out specific works for in-depth analysis, he looks for general thematic parallels across conversations, across texts, and to a certain extent across time. In other words, though *Moral Economy* is constructed thematically according to a loose chronology, Tripp's primary focus is not on the historical development of ideas, instead situating books on related topics next to one another without a close eye to date of publication. For the student of Islamic economics, *Moral Economy* is an excellent resource for the sheer breadth of material brought to the table, yet it is not a text whose goal is to inform the reader of *how* these conversations developed, or of their historical contours, contexts, and implications.

Other scholars have contributed excellent introductions to specific areas of Islamic finance, often in the form of edited volumes. *The Politics of Islamic Finance* (2004), a compendium edited by Henry Clements and Rodney Wilson, is one such volume. A compilation of excellent thematic essays—on subjects ranging from the effect of September 11 on Islamic finance to the increasing interrelationship between academic

scholarship and Islamic banking—with close case studies of Islamic banking in specific countries, it manages to cover a great deal of ground without losing depth.²⁰

The earliest of these sorts of compendia was *Islamic Law and Finance* (1988), edited by human rights and legal scholar Chibli Mallat, who introduced the volume calling for more intellectual history on the subject of Islamic finance.²¹ Mallat is the exceptional English-language scholar of Islamic economics, notable not only for this call for more intellectual history, but also for his early work singling out al-Sadr—now universally recognized as a giant in the Islamic economics literature—as one of its most exceptional contributors. His excellent and surprisingly under-used *The Renewal of Islamic Law* (1993) includes the most thorough English-language discussion of al-Sadr’s Islamic economics writings to date as part of a fascinating and compelling argument that al-Sadr was the mastermind behind multiple elements of the Iranian Constitution.²²

Theoretical Orientations

Decolonization studies—like postcolonial studies, from which it is derived—is conceptually and theoretically vast. As a field focused around a loose subject, decolonization, it lacks disciplinary cohesion in the form of a definable object. Because so much of the world has at one time been colonized, one cannot limit decolonization studies to one specific area of the world or claim that it “is confined to a period, genre, or

²⁰ See Henry Clement and Rodney Wilson, eds. *The Politics of Islamic Finance*. (Edinburgh: Edinburgh University Press, 2004).

²¹ See Chibli Mallat, ed., *Islamic Law and Finance*. (London, 1988). Introduction.

²² See Mallat’s *The Renewal of Islamic Law* (Cambridge: Cambridge University Press, 1993).

theme; nor can [one] name a stable First or Third World subject as its legitimate speaker (as can, e.g., women's studies, African American studies, or gay and lesbian studies)."²³

Under its broad conceptual umbrella, work in decolonization studies has adopted the critical orientations from a range of other disciplines, from critical theory to history to political science—but it is not limited to them.

Nevertheless, decolonization studies may be divided into two primary conceptual camps that are generalizable regardless of the society or time period under study: practical decolonization and psychological decolonization. These camps are descriptive, not prescriptive, and are neither reified nor lacking in occasional overlap. In the former camp, scholars—often historians and political scientists—look at the material effects of colonial abdication and transfer of power. Frequent topics of analysis include state-centered structural changes resulting from decolonization, such as the functioning of political, economic, and educational systems.²⁴ In the latter camp, scholars—often literary and critical theorists—borrow from the groundwork laid by postcolonial studies, focusing on the psychological un-doing of hegemonic discourses of colonialism. “Decolonizing the mind” is unlearning colonial cultures, including their racialized, gendered, and cultural

²³ Kelpana Seshadri Crooks, “Introduction.” In *The Preoccupation of Postcolonial Studies*, Fawzi Afzal-Khan and Kalpana Seshadri Crooks, eds. (Durham, North Carolina: Duke University Press, 2000). Though speaking of postcolonialism in the original, Crooks’ succinct summary is just as relevant to decolonization studies.

²⁴ For an example of good theoretical work on this, see Margaret Kohn and Keally McBride, *Political Theories of Decolonization: Postcolonialism and the Problem of Foundations*, (Oxford: Oxford University Press, 2011).

discourses of explicit or implicit subjugation.²⁵ It is a rejection of the invading culture in favor of an (often-problematic) attempt to return to and reclaim what existed before. Because of the long tenure of European colonialisms globally, and because of their all-encompassing ethos of sociocultural transformation for the colonized—an ethos that included the imposition of intellectual structures as much as sociocultural and governmental order—psychological decolonization globally has proven a much longer-lasting project than practical decolonization. This is reflected in its predominance as a subject matter in the decolonization studies literature emerging from critical theory.²⁶

Among studies of practical decolonization, a disproportionate amount center on the stories and perspectives of the colonizers.²⁷ This is due in large part to the detailed records kept by the British, French, Dutch, Germans, and others, and their ready archival accessibility. Yet, however unintended, the overlarge proportion of colonizer-centric work contributes to a form of continuing intellectual colonization: the stories of the powerful are inscribed as the primary narrative in the academic record, with the practical effect of

²⁵ This phrase was perhaps most famously used by Ngũgĩ Wa Thiong’o in his *Decolonizing the Mind: The Politics of Language in African Culture* (Heinemann, 1986).

²⁶ See, e.g., Walter D. Mignolo, *The Darker Side of Western Modernity: Global Futures, Decolonial Options* (Durham: Duke University Press, 2011).

²⁷ See, e.g., Robert Tignor, *Capitalism and Nationalism at the End of Empire: State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945-1963* (Princeton: Princeton University Press, 1998). See also Martin Shipway’s comments on this problem in *Decolonization and its Impact: A Comparative Approach to the End of the Colonial Empires* (Oxford: Blackwell Publishing, 2008), 1-16.

eclipsing those of the weak.²⁸ A result is the movement to “decolonize the academy,” filling in the gap by working to uncover histories of decolonization from the ground up.²⁹ In addition, for those who recognize the problematic nature of exploring decolonization through an exclusively imperialist lens, the solution that is all-too-often offered is to approach the history of the colonized through their own indigenous nationalist movements.³⁰ Such analyses, while useful, limit the conceptual scope of historical decolonization to political analysis—itself a charged and often obfuscating approach, as European colonizers were frequently those who fashioned the borders of the nation-states and trained the colonized in nationalist political philosophies to begin with. Economic nationalism is further studied as a material metric for the indigenous reclamation of autonomy through the wresting back of economic control, yet it presents similar problematics: the economic structures reclaimed from the colonizers are also, often, originally of colonial design.³¹ Thus, even when attempting to avoid it, the pervasiveness of colonial hegemony across all sectors—political, economic, intellectual—makes it difficult to uncover histories that do not ultimately circle back to the ideologies and practical systems of the colonizers.

Empirically-driven intellectual histories of the movements and ideologies propelling both practical and psychological decolonization can aid in capturing elements

²⁸ See, e.g., Boaventura de Sousa Santos, *Epistemologies of the South: Justice Against Epistemicide*, (New York: Routledge, 2014), 19-43.

²⁹ See, e.g., de Sousa Santos, *Epistemicide*; Carole Boyce Davies, *Decolonizing the academy : African diaspora studies* (Trenton: Africa World Press, 2003)

³⁰ See, e.g., rtin Shipway, *Decolonization and its Impact*, 1-16.

³¹ See, e.g., Ayodeji Olukoju, “Economic nationalism and decolonization: West Africa in comparative perspective.” *Hagar* 9.2 (Summer 2010): 137-156.

of the indigenous, agentive and constructive role of decolonization. Decolonization was not, after all, simply anti-colonial reaction; it was intentional, society-building response. Such work on the Middle East is rare, often topically limited to luminaries like Gandhi³² and Fanon—men whose wildly divergent approaches to decolonization is sufficient to demonstrate that more work needs to be done to properly approach its political plurality and intellectual diversity. The history of ideas and movements that stand outside of nationalism can thus contribute greatly to the field as a whole, providing a needed path around colonial discourses while participating directly in the decolonizing of the academy.

Conceived as a form of simultaneous practical (material) and psychological (spiritual) decolonization and rooted in indigenous religious and intellectual tradition, Islamic economics answers these criteria. It was through Islamic economics as praxis that the banking and financial industries would be literally decolonized through reclamation from European ownership and management. But the underlying accompanying intellectual and spiritual decolonization, inextricable from the material, was just as powerful. Islamic economics was not simply claiming the physical finance houses; it was transforming the underlying philosophical framework through which they would be run. In the same vein, it was not initially imagined simply as part of taking back governmental leadership from the colonizers; it was re-configuring and restoring an indigenous socioeconomic system distinct from communism or capitalism.

Psychological decolonization, in other words, drives the material logic of Islamic economics; it is not an afterthought, but the organizing principle according to which the

³² Though not in the Middle East, India and Pakistan are often used comparatively with it in such discussions.

practical decolonization is conceived. Not simply reactionary, Islamic economics is intellectually indigenous, agentic, and constructive; a twentieth century jurisprudential development whose philosophical and theological underpinnings harken back to pre-colonial norms. As noted above, as an idea that posits the inseparability of the spiritual and the material, it derives its perspective from pre-Enlightenment era Islamic intellectual categorizations. Furthermore, as theorist and cleric Muhammad Baqir al-Sadr explained, Islamic economics is a *madhab* (doctrine), not an *ilm* (science); it has no neoclassical economics pretensions of “standing outside of normative judgments,” instead wishing explicitly to serve as a set of moral guidelines in the form of practicable prescriptions. On a theoretical level, Islamic economics consciously challenges many of the disciplinary limits we place on categories of analysis, including economics and religion, by introducing non-Western approaches to knowledge. By challenging Western academic constructs, it thus acts as a form of intellectual decolonization, lending it multiple decolonizing valences.

Methodological Orientations

Given its centrality to the conception and development of Islamic finance, why is decolonization absent as a topic from the voluminous Islamic economics and finance literature? The answer to this question influences the methodological approach of this project.

The absence of decolonization is not simply a reflection of how minimally Islamic economics has been historicized. It is also a reflection of the reality that Arab

decolonization studies as a field does not yet properly exist.³³ Fortunately, two books forging the intellectual history of Arab decolonization are slated for publication by 2018.³⁴ Yet, for now, how does a new scholar effectively approach a topic without a robust secondary literature? Even more so, how does one approach a topic without an archive?

In her incisive essay calling for work on decolonization in the Arab Middle East, Omnia El-Shakry discusses the problematics of research in an area in which archives have often been kept only by the colonizer, have been destroyed or edited by rising regimes, and are often rendered inaccessible by war and regional turmoil.³⁵ Emphasizing how Middle East scholars have been forced to seek creative ways around the traditional Western historian's "fetishization of the archive" in its pristine organized glory, El-Shakry speaks to ways that the Middle East archive—or its absence—have "occluded from view"

³³ Yoav Di-Capua comments on this "lack within what might be called the intellectual history of decolonization. How Third World intellectuals and their ideas informed decolonization, and how in turn they were shaped by it, is an important question, yet it remains largely unanswered in spite of a proliferation of studies on decolonization and postcolonialism." See Di-Capua, "Arab Existentialism: An Invisible Chapter in the Intellectual History of Decolonization," *American Historical Review* (October 2010), 1062.

³⁴ They are Yoav Di-Capua's *No Exit: Arab Existentialism, Jean-Paul Sartre and Decolonization* (Chicago: University of Chicago Press, forthcoming 2018), and Omnia El-Shakry's *The Arabic Freud: Psychoanalysis and Islam in Modern Egypt* (Princeton: Princeton University Press, forthcoming 2017).

³⁵ Omnia El-Shakry, "'History without Documents': The Vexed Archives of Decolonization in the Middle East." *American Historical Review* (June 2015), 920 – 924.

specific kinds of regional decolonization narratives.³⁶ She calls for a new, non state-centered vision in approaching the Arab period of decolonization, arguing:

Yet what if we thought of decolonization as an ongoing process and series of struggles rather than a finite event, as regional as well as national, intellectual and cultural as well as political, and religious as well as secular? We might then shift our attention away from dominant and declensionist narratives of decolonization as a state-driven and secular political process, to include members of the intelligentsia, social scientists, and religious thinkers who were bypassed in or excised from traditional archives. How, then, might we reimagine the archives of decolonization?³⁷

This project offers a non-nationalist (regional) cultural and intellectual history of a distinctly constructive decolonizing idea, conceived in large part by religious rather than secular intellectuals and coming into fruition in the post-WWII period. It is rather extraordinary, in fact, that this history has not been written before. Despite his prolific—and highly accessible—output, Muhammad Baqir al-Sadr has received remarkably short shrift in the intellectual history literature.³⁸ I contend that this absence is due to two reasons, each of which is contained in El-Shakry's statement: First, as a religious leader who operated in the Shiite intellectual milieu of the *hawza* (Shiite academy) of Najaf rather than the Western intellectual milieu, al-Sadr is outside the bounds of many forms of traditional academic interrogation.³⁹ This lack of interrogation stems in part from the

³⁶ El-Shakry, "Vexed," 924.

³⁷ Ibid, 925.

³⁸ Notable exceptions are the works of al-Sadr scholar T. M. Aziz, and human rights and legal historian Chibli Mallat's *The Renewal of Islamic Law* (Cambridge: Cambridge University Press, 1993).

³⁹ It may be useful to compare al-Sadr with Sayyid Qutb in this regard. Qutb also wrote prolifically on many topics including a treatise on *ribā* (usually translated as "interest" in the banking sense). He is cited far more than al-Sadr, despite his less organized and less

Western scholarly tendency to divide religious thought from intellectual thought, an Enlightenment-inflected church-and-state divide that often lacks justification in the context of the Middle East.⁴⁰ Second, more broadly, al-Sadr's chief areas of inquiry as an Islamic scholar, including Islamic economics, are often considered outside the purview of intellectual history or the history of decolonization itself. As noted earlier, this is because of the rigidity with which the Western academy has come to demarcate its disciplinary divides. Economics is not deemed a cultural phenomenon, an assumption that is exemplified by the Chicago school and Milton Friedman's popular and persistent (and unfounded) assertion that economics stands outside of moral concerns.⁴¹

El-Shakry herself argues for the need for to stop considering religious and intellectual thought as entirely discrete and separable when she states: "To date,

analytically rigorous treatment of the topic, and despite the fact that later Islamic economics thinkers referred to al-Sadr more often than Qutb in their writings. This is likely due to Qutb's general name-recognition and to his Western education.

Nevertheless, it must be emphasized that even Qutb's contributions to Islamic economics are also understudied. See, e.g., El-Shakry, 926 – 929.

⁴⁰ Some would, no doubt, call this tendency a form of intellectual colonization in the academy.

⁴¹ Chicago school co-founder Milton Friedman's famous 1953 pronouncement that "[p]ositive economics is in principle independent of any particular ethical position or normative judgments" has had profound implications for the study of economics. Riffing on the positivist bent of the academy of the late nineteenth and early twentieth centuries, Friedman built upon the work of nineteenth-century British economist John Maynard Keynes, arguing that economics deals with "what is," not with what "what ought to be." See Milton Friedman, *Essays in Positive Economics*. (Chicago: University of Chicago Press, 1953), 4. For critiques of this view, see, e.g., Robert H. Nelson, *Economics As Religion: From Samuelson to Chicago and Beyond* (Penn State Press, 2002).

scholarship on the Middle East has not sufficiently placed secular and religious thought within ‘a single analytic field’; nor has the heuristic value of these ideologically charged categories, perhaps themselves the product of the colonial encounter, been sufficiently questioned.”⁴² Through the course of this project as a whole, this secular versus religious heuristic is questioned through the use of al-Sadr’s works, and found wanting. El-Shakry further emphasizes how minimally questions of economic systems, especially capitalism, have been interrogated in the context of Middle East thought on decolonization and nation-state building.⁴³ The formative period of Islamic economics is clearly an important addition to this literature.

While broadening the theoretical and disciplinary lens of the inquiry clearly facilitates this project, it does not resolve a second methodological issue specific to the topic of Islamic economics: How does one write a history of a topic that spans so much time and covers so much intellectual and geographical ground?

In order to explore a topic as vast as Islamic economics with both depth and a modicum of concision, this dissertation singles out a series of significant historical junctures in key places throughout the lands of the former Ottoman Empire rather than attempting a sweeping and comprehensive whole. As an idea that was explicitly designed to countermand the colonialist imposition of artificial polities and policies, Islamic economics defies easy positioning in one locale. Like many ideas, its history is transnational in scope and scale, from Cairo to Najaf and Jabal ‘Amil and more. Because Arab decolonization often used ideas intentionally to reach beyond and around the colonially-constructed nation-state, this dissertation works both to follow that expansive

⁴² El-Shakry, 925.

⁴³ Ibid, 932.

reach and, in the telling, to honor its ethos. By focusing on snapshots of historically specific moments, both depth and specificity are enabled.

Finally, Islamic economics poses a methodological challenge, noted above by El-Shakry, due to the absence of archive. Di-Capua takes on this issue in his forthcoming Arab post-war decolonization history *No Exit*, arguing that we must construct a non-state archival alternative: Intellectual history may be constructed from the (often prolific) writings of Arab intellectuals themselves. Not just analyzing their texts, but looking at multiple editions across time, can offer further clues to the history.⁴⁴ Each of these strategies is used in this dissertation.

Furthermore, Di-Capua makes the case for situating the ideas of Arab intellectuals in the broader context of their individual humanity, asserting:

[W]hereas Euro-American intellectuals regularly benefit from a fine-grained consideration of their inner motivations, urges and character, most Arab intellectuals, especially those associated with decolonization, remain fundamentally unknown. Their [...] overall humanity— with all its beauty, promises, weaknesses, strengths and vulnerabilities— [is] only rarely associated with their ideas in a meaningful way.⁴⁵

In the case of the intellectual history of Islamic economics, I would take this methodological proposal one step further: the idea must not only be contextualized in the person or people of the individual intellectual(s) who contributed to its theorization. It should also be considered in the broader light of the surrounding culture and political economy that first precipitated the notion of a need for Islamic economics and then helped in its formation and eventual rise in the form of Islamic banking.

⁴⁴ Di-Capua, *No Exit*, 19.

⁴⁵ *Ibid*, 17.

A case study approach enables a close reading of culture and political economy as vital components in the history of ideas. By focusing on one thinker's community—in this instance al-Sadr's Shiite community of Najaf—the case study approach further facilitates a sharper focus on forms and processes of idea development even as it provides a historical account of political economy. Islamic economics was, at heart, a theological and religious conception. Colonization, and the semi-colonial British and French mandate system that managed much of the nation-states of the Middle East in the first half-century post-Ottoman collapse, led to significant shifts in Middle East politics and intellectual life, with profound implications for Muslim inter- and intra-sectarian relations. Transnational religious networks of intellectual and financial exchange, centuries old, were disrupted by the imposition of national borders and the creation of national economies post-WWI. New scientific, philosophical, and intellectual works—including Marxist and socialist tracts—flooded into the Middle East from Europe, challenging traditional religious thought and offering secular alternatives to societal organization that threatened the long-held positions of religious elites.

In response to these sharp ideological, intellectual, cultural, and political transformations, religious leaders from across the Middle East proposed their own alternatives, rooted in tradition and centered upon the notion of Muslim unity in the face of continued colonization. Among these was a World War II-era renewed movement for inter-sectarian (Sunni-Shii) rapprochement (*taqrīb*), a topic of considerable interest to the minority Shiites and of political value to the majority Sunnis. True Pan-Islamic unity across sectarian lines offered the chance for a political front against colonialism and colonial ideas. Part of that response would require political organization—and a polity would require economic and financial order. As popular movements toward secular

economic ideologies including Marxism and socialism swept through multiple Arab Muslim countries throughout the first half of the twentieth century, religious intellectuals were galvanized into a theological, philosophical, and economic response. All of this informed the culture and political economy of Shiite Najaf, home of Islamic economics theorist and Iraqi Shiite scholar Muhammad Baqir al-Sadr, in the early-to-mid twentieth century. Through a case study of his community, a deeper and more thorough interrogation of the climate of ideas and intellectual exchange involved in the formation of Islamic economics—including a discussion of the effects of the issues discussed above—is born out, making sense of the inseparability of religion from economics in its conception and clarifying the reasons for Islamic economics' continuing psychological and political weight.

The Formative Era of Islamic Finance

This project divides the formative history of Islamic finance into two halves and four main junctures, all directed toward answering the decolonizing questions raised earlier: Why was Islamic economics conceived as a form of decolonizing resistance? And how did it evolve into a narrowly-defined banking practice that is in many ways indistinguishable from its Western counterpart while maintaining its decolonizing appeal? While relying on both primary sources and extensive secondary source materials from across disciplinary lenses, the Islamic economics analysis is derived primarily from the canonical Islamic economics works of Iraqi Shiite cleric Muhammad Baqir al-Sadr, including *Falsafatunā* (*Our Philosophy*, 1959), *Iqtisādunā* (*Our Economics*, 1961), and *Al-Bank al-lā-ribawī fī al-Islam* (*The Usury-Free Bank in Islam*, 1969).

In the first half, the stage is set for the reader in a largely secondary-source driven chapter describing the first juncture: the transformation of Ottoman finance in the nineteenth century with the encroachment of French and British colonialism and their new, capitalist financial practice. As the Ottoman Empire spiraled into debt to the Europeans, exacerbated by the circumstances surrounding the 1875 Ottoman bankruptcy, the former systems of monetary organization of the Empire were swiftly eclipsed in favor of their European counterparts. Questions about the relationship between Islam and the new Western conventional finance initially entered the minds of Ottoman subjects as conventional Western banking practices proliferated. Western conventional banking and finance, in other words, were always conceived as foreign.

Still, the initial foreign-ness of a phenomenon does not necessarily guarantee that it will be consequently questioned and found wanting or worthy of resistance. Why did the notion of a response to Western conventional banking and finance gain traction and hold sway in the minds of clerics, leading eventually to specific proposals of an Islamic alternative? Why was Islamic economics in particular conceived as a response to the continuing assault of colonial cultures? Exploring the sociocultural factors that lent it particular anti-colonial urgency, Chapter Two moves to the second juncture of the first half of the dissertation: Using a more limited case study approach, it focuses on the cultural history and political economy of Muhammad Baqir al-Sadr's Shiite community of Najaf, summarized in the previous section.

Yet what would Islamic economics look like? For all the many calls for an Islamic alternative that had percolated throughout the early-to-mid twentieth century Muslim Middle East, few detailed practical suggestions had been offered, in part because Islam does not have a jurisprudential tradition devoted to the subject of economic life. The

second half and last two junctures of the dissertation analyze and contextualize the early Islamic economics intellectual works of Muhammad Baqir al-Sadr.

Chapter Three moves to a close analysis of al-Sadr's major Islamic economics works, *Falsafatunā* (*Our Philosophy*, 1959), *Iqtisadunā* (*Our Economics*, 1961). When the surrounding historical factors described in Chapter Two are taken into account, al-Sadr's texts are seen as canonical works in the broader Arab dialectics of decolonization. The intellectual development of a practicable Islamic economics— a phenomenon that was emerging with greater strength, depth, and robust theorization— is thus historicized as part of the larger moment of rising Arab decolonization discourses of the 1950s and 60s. More than just the obscure musings of clerics and pious scholars, early Islamic economics was emblematic of cultural resurgence and renewed pride of place; a form of self-assertion that was envisioned as a means to displace the colonizer's legacy, replacing it with a mode of monetary transaction that was simultaneously more ethical and more legitimately, authentically Muslim. As recounted in Chapter One, the monetary system of the colonizer's legacy was not only part of the broader legal scaffolding that had brought the colonized under its control—it was literally the means by which Arabs had become not only indebted, but disproportionately so, to the colonizing powers. Islamic economics was powerful in theological and ideological terms as it symbolized both literal decolonization at the level of personal economy, and national or even international decolonization at the levels of the state, regional, and global economies.

Chapter Four completes the historical introduction to the formative period of Islamic economics with one final juncture. After a chapter that focuses on the primary works of Islamic economics' most ambitious Arab theorist, this project finishes by adopting a more wide-angle lens to approach the contexts in which al-Sadr's work was

implemented. Focusing on the cultural and intellectual changes wrought by the aftermath of the 1967 War, Chapter Four positions Islamic finance's first practical implementations as part of the broader region-wide movement toward Islamism. Seeking a unifying cultural orientation after the blow of the *naksah* ("setback," the common Arab term for the 1967 War), the wealthy Arab oil nations used petrodollars to export their form of conservative Salafism. In a region characterized by both the intellectual malaise of the aftermath of 1967 and a burgeoning transnational network of Egyptian teachers who had been persuaded by the teachings of the Muslim Brotherhood, the belief in a "return to Islam" took hold on a grand scale. The identity of Islam— however it was imagined proved a powerful regional unifier, leading to cultural retrenchment and reassertion on a grand scale. Wealthy Arab Gulf states, many of them newly-founded, joined the Saudis in seeking a way to ensure that their primary public identity – that of wealthy Muslims – operated in accordance with the strictures of Islam. Interest-free banking became a common goal, swiftly exported to less wealthy states and adopted alongside the other ideals of Islamism. Al-Sadr's final two economics tracts of the 1960s, analyzed in this last chapter, both responded to and shaped this milieu. At the twilight of the formative period, decolonization took shape region-wide through the adoption of Islamism, with Islamic finance one of its primary outward manifestations.

Chapter One: Setting the Stage for Islamic Finance

On October 7, 1875, a notice appeared in one of the fledgling periodicals that had been popping up in and around Istanbul throughout the preceding twenty years.⁴⁶ In it the Ottoman public was informed that the Porte, under Sultan Abdülaziz (reigned 1861 – 1876), had gone bankrupt.

The ramifications of the bankruptcy were titanic. Through it, the material vulnerability of the Porte vis-à-vis European powers and financiers, previously handled through the relatively discreet behind-closed-doors negotiations of Viziers and ambassadors,⁴⁷ was codified, formalized and publicized. Shortly thereafter (1878), Bulgaria seized upon Ottoman imperial weakness and, realizing its nationalist ambitions, seceded from the empire. Other regional nationalisms soon followed, leading eventually to the loss of the Balkans,⁴⁸ thereby eliminating the Ottoman foothold in Europe and, by

⁴⁶ The bankruptcy had been proclaimed the preceding day, and was announced in the *Basiret* (established 1869) newspaper 7 October. *Basiret* had a circulation of 30,000 – 40,000 by 1875, making it among the most widely-read popular Ottoman newspapers. On the bankruptcy, see Geyikdagi, 37. On *Basiret*, see Kemal Karpat, *The Politicization of Islam: Reconstructing Identity, State, Faith, and Community in the Late Ottoman State*. (Oxford: Oxford University Press, 2001), 120 – 124.

⁴⁷ See, e.g., Christopher Clay *Gold for the Sultan: Western Bankers and Ottoman Finance, 1856-1881*. (IB Tauris: London, 2000).

⁴⁸ As early as the 1830s the Balkan states and Greece were fighting for independence. Serbia became autonomous in 1830, independent in 1878. Greece gained independence

World War I, decreasing the Christian population of the Empire from a significant percentage to a tiny minority. Compounding the loss of Ottoman power, from the 1830s onward the European Great Powers successfully gained control of lands that were formerly part of the Ottoman Empire. France, for example, occupied Algeria and Tunisia in 1830 and 1881, respectively, while Britain took Cyprus in 1878 and Egypt in 1882. The Austrians absorbed Bosnia and Herzegovina in 1878, formally annexing them in 1908. By 1877, the Ottomans had mounted a costly war to protect their border with Russia, a war that they lost. Despite the concerted efforts of Sultan Abdülhamid II (reigned 1876 – 1909) to create reforms and to compensate for, among other things, the considerable losses in tax revenue and the lavish expenditures of his predecessor,⁴⁹ the Ottoman economy never fully recovered.

This chapter sets the stage for the idea of Islamic economics, tracing the history that gave rise to the notion of Western conventional banking as foreign, a colonial encroachment. Centered upon the economic shock of the Ottoman bankruptcy, it describes the penetration of Western banking and finance into Ottoman and Egyptian

in 1832, Romania in 1878, Bulgaria gained autonomy that same year and independence in 1908.

⁴⁹ Throughout the nineteenth century, various Sultans spent large sums of money on costly modernization projects, including huge expansions in the empire's bureaucracy under Mahmud II (reigned 1808 – 1839) and his son Abdülmecid I (reigned 1876 – 1909); an updated and expanded navy under Abdülaziz (r. 1861 – 1876); and huge private palatial estates and other lavish expenditures under Abdülmecid and Abdülaziz. As noted, above, external debt to the European powers was excessive and increased by orders of magnitude over the course of half a century, creating a power dynamic that favored the Europeans.

lands through the British and French colonizing powers during a time of imperial financial instability. In order to provide further context for the alien-ness of the new Western finance, this chapter then presents one of the major elements of Islamic economic culture that Western conventional banking soon displaced: the system of *waqfs* (Islamic charitable endowments). The banking transformation was not only at the level of empire and international markets—capital and new European socioeconomic theories informed and altered the lives of Ottoman and Egyptian subjects alongside their Sultans and Khedives. To underscore the popular transformation of banking and economic ideas at the twilight of the empire, significant intellectual and cultural shifts that accompanied European cultural penetration, often called the Arab renaissance (*nahda*) are further briefly detailed. These popular intellectual transformations led to the rise of an Islamic revivalist movement, called Islamic modernism, whose framers designed it to confront—and, where it could—incorporate the new, European-influenced modernity. The earliest primary source documents regarding Islamic response to Western conventional banking, detailed in the final section, are from this era. Combined, these pieces of historical change paint a portrait not just of financial collapse, but of a society wrestling with new and foreign concepts in every arena of life: economic, intellectual, psychological, and spiritual. It was at this time, in turn of the century Cairo, that the seeds of Western finance and economics as foreign, and as requiring an Islamic response, first began to germinate in the Arab world.

On the heels of a devastating crop failure and famine in 1873, Sultan Abdülaziz had faced widespread popular unrest. His extravagant expenditures on luxurious palaces and his costly modernization of the Ottoman navy at a time of mounting public debt did

little to ingratiate him to the public, and he was deposed in disgrace by his ministers on May 30, 1876, and incarcerated in the Feriye Palace. Several days later, on 6 June, he “committed suicide” in prison—though it was called an assassination by some—by slashing both wrists with a pair of scissors.⁵⁰ A political crisis ensued, with internal nationalist and democratic movements under the Young Ottomans agitating for parliamentary democracy and forcing the promulgation of the first Ottoman Constitution in November 1876.⁵¹ By World War I, there was little the Empire, founded in 1299, could do to face the economic and military onslaught of the European colonizing powers. Indeed, the Ottoman bankruptcy may be one of the most significant—and least acknowledged—catalysts of historical change in modern world history.⁵²

The financial downturn of the Ottoman Empire had been building slowly throughout the nineteenth century. As is often the case, exact periodization is complex, as scholars of commerce, finance, banking and economics pinpoint different decades as the dawn of this financial crisis. Nevertheless, most attribute its origin to several main factors: Many, particularly of his time, blamed Abdülaziz’s profligacy, though this was largely a

⁵⁰ See, e.g., Stanford Shaw and Ezel Kural Shaw, *History of the Ottoman Empire and Modern Turkey: Volume 2, Reform, Revolution, and Republic: The Rise of Modern Turkey 1808-1975* (Cambridge: Cambridge University Press, 1977), 166.

⁵¹ It was shortly prorogued in 1878.

⁵² See Christopher Clay, *Gold for the Sultan*, 2. See also See Charles Issawi, *The Economic History of Turkey, 1800 – 1914* (Chicago: University of Chicato Press, 1980), Chapter 3. See also Pamuk, *The Ottoman Empire and European Capitalism, 1820 – 1913: Trade, Investment, and Production* (Cambridge University Press, 1987), Chapter 1.

slandering strategy.⁵³ Others cite the Crimean Wars as the watershed moment, and the border skirmishes signaling Balkan secession and impending war with the expanding Russian Empire as the final straw.⁵⁴ Looking farther back in the nineteenth century, the rise of sustained international commerce through increased trade with Europe, the economic advantages provided to certain Europeans through the Capitulations agreements, and the viable and robust nature of European capitalism enforced through encroaching colonialism are also frequently listed as pivotal reasons driving Ottoman economic collapse.⁵⁵ With the collapse of economy, polity follows.

⁵³ See Clay, *Gold for the Sultan*, 57. Ismail of Egypt was also in the process of borrowing extensively at this time to bolster imperial reforms. This kind of borrowing is, in fact, a typical strategy of leaders, not unlike current IMF and World Bank loans to foster structural adjustment.

⁵⁴ See Pamuk, *Monetary*, 204. From 1875 – 1881, as the Ottomans faced this crisis, neither the European-backed Ottoman bank nor any other European financial institutions would loan the Ottomans money. They relied instead on Galata bankers, whom they had previously abandoned in favor of European banks as lenders. Pamuk notes that the Galata bankers rallied in a show of Ottoman patriotism to “mobilize support.” See *Monetary*, 204.

⁵⁵ See Owen, chapter 4, Issawi, chapters 2 -3. It is important to emphasize here that there was a near contemporaneous Egyptian collapse, also often considered an informal bankruptcy, in 1876. The reasons for the Egyptian collapse parallel the Ottoman collapse strongly, including extensive loans for expansion in transportation and deficit spending for public works. What is important here is that Egypt, as a province and then tributary state (1867 – 1914) of the Ottoman Empire, was integrated into the broader Ottoman economy and shared many of its economic features: it did not have a system of banking or an organized system of account like the Europeans, and by the end of the nineteenth century it was a primary exporter of raw goods (cotton) and importer of finished goods (textiles). For more on the Egyptian bankruptcy, see, e.g., Owen, chapter 5.

The bankruptcy was not only the result of the outside global pressures of European colonization or the ineptitude of the Sultan. During a time of explosions in both population and economic production and intense rural to urban migration, corruption among Ottoman notables and gentry grew. The Ottoman Empire had for centuries functioned through a decentralized tax system, administered by local tax farmers who often set their own local policies in coordination with the Porte. Though this inherent flexibility is likely a reason for the Empire's longterm stability,⁵⁶ the decentralization in and of itself caused large losses to the treasury.⁵⁷ Combined with a terrible Anatolian famine in 1873, graft and embezzlement prevented the established system of tax farming from harvesting the requisite amount of income to offset imperial expenses.⁵⁸ High interest rates and the structure of international lending itself meant that 40 – 50% of all loans were siphoned off to middlemen, slowing Ottoman economic recovery.⁵⁹ Each of these clearly contributed to the bankruptcy, and when combined, they paint a clear portrait of impending financial disaster.

Ottoman leadership scrambled to find an economic corrective, yet they lacked the administrative and bureaucratic structures to adequately respond. As noted by economic historian Stefania Ecchia, the fiscal crisis that led to the 1875 Ottoman bankruptcy and to the subsequent establishment of the Ottoman Public Debt Administration in 1881 “was

⁵⁶ See Pamuk, xx.

⁵⁷ See, e.g., Pamuk 191 – 193.

⁵⁸ See Pamuk, 214.

⁵⁹ See, e.g., Geyikdagi, 142.

rooted in the lack of any central administration of the financial system.”⁶⁰ It was not just that there was no concept of a public budget in the existing Ottoman financial structure to begin with—the first Minister of Finance had only been appointed in 1837, and public budgets were not part of his responsibility. It was also that there was quite literally no proper accounting and no accountability. There was no requirement of “ensuring a balance between income and expenditure: usually the Sultan’s ministers jointly agreed on the sum to be allocated to each government department without rendering any kind of account to the Minister of Finance.”⁶¹ Corruption was widespread. Ministries would simply issue new bonds to finance their expenditures when needed, and—in a particularly glaring omission— “[u]ntil 1880, there was no department of audit and account.”⁶²

Furthermore, the Ottoman Empire did not keep internal records in the same way that the Europeans did. For example, disaggregated data on fiscal revenues and expenditures is only available from 1887 on, eleven years after the bankruptcy and fifty years after the first Minister of Finance was installed.⁶³ No official trade records existed

⁶⁰ Stefania Ecchia, “The Economic Policy of the Ottoman Empire (1876 – 1922), *Munich Research Papers on Economics No. 42603* (IDEAS Archive, Nov. 2012), 2.

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ See Ecchia, 4. Nevertheless, to argue that the Ottomans were entirely inept, which is the tacit (or explicit) argument of many scholars of Ottoman financial history of this period, would be ungenerous to the point of inaccuracy. For example, the final tipping point that drove the empire to bankruptcy was an event outside of the Ottoman’s control, the worldwide Great Depression (called by that name until it was eclipsed by a larger depression in the twentieth century) of 1873 – 1896. After his accession, Abdülhâmid worked endlessly to resolve the debt problem. He sought to institute modernization

before 1878.⁶⁴ In previous decades (1854) Istanbul had taken out its first foreign loan agreement in order to finance the Crimean War, a debt which quickly spiraled out of control.⁶⁵ Soon, trapped in a cycle of paying down principal and interest on the debt itself, the Empire was forced to declare a moratorium on payment as the debt mounted to £252 million British.⁶⁶ As Murat Birdal notes, to get a sense of the dizzying disproportion of the Empire's debt-to-income ratio, by Abdülhâmid's accession in 1876 the *total annual* estimated revenues of the treasury were about 9% of this figure.⁶⁷

This debt to the French and the British—resulting quite literally from the Ottoman's first successful international loan⁶⁸—forced the Ottomans' hand. A

reforms to stabilize the banking sector, and recognized that centralizing the taxation system was the easiest way to do so. The Sultan was never able to bring in enough capital to finance the reforms, so, like his predecessors, he continued borrowing. See, e.g., Geyikdagi, chapter 2.

⁶⁴ See, e.g., Geyikdagi, V. Necla. *Foreign Investment in the Ottoman Empire* (London: I.B.Tauris, 2011), 25. Geyikdagi further emphasizes the difficulty in establishing accurate accounting of foreign trade from the European sources, noting the variability in exchange rates, price rate fluctuations, and different definitions used in trade statistics between the empires.

⁶⁵ For more on the circumstances surrounding this loan, see Geyikdagi, 32- 35.

⁶⁶ Ibid. See also Ecchia, 2.

⁶⁷ Murat Birdal, *The Political Economy of Ottoman Public Debt: Insolvency and European Financial Control in the Late Nineteenth Century* (I.B. Tauris: New York, 2010), 54. Cited in Ecchia, 2.

⁶⁸ International loans were new to the Ottomans, though attempts had been made since the reign of Murat IV (1623 – 40) in the seventeenth century. His later successors Ahmet III (1703 – 30), Selim III (1789 – 1807) and Mahmut II (1803 -39) also attempted to borrow internationally, but were turned down. Instead they debased gold and silver coins at an accelerated rate; under Mahmut II “gold and silver were debased 35 and 37 times

centralized organizational system that documented income and expenditures was required in order for them to even hope to repay it. The Great Powers, eager to both literally cash in on their expanding colonial ambitions and to be repaid the considerable sum, offered to help the Ottomans to organize their fledgling finances, setting up the Ottoman Public Debt Administration in 1881.⁶⁹ As part of its terms, France and Britain agreed to lower the amount of debt on the loan, but only on the specific condition that they would now take over control of Ottoman revenues.⁷⁰

Simultaneously, British and French diplomats, counselors, advisors, and bankers both took over the management of much of the recently-established “Ottoman” banking system.⁷¹ As only one of several examples,⁷² the Ottoman Bank, a European-modeled institution that had been established in 1856 with branches in Beirut, Izmir, Galata and

respectively, leading to the depreciation of the Ottoman currency relative to the British pound sterling by 352 percent.” It was not until the Crimean wars that the Ottomans were successful in their attempts at foreign borrowing, taking out a loan of five million pounds sterling at the urging of imperial Britain and France, who guaranteed the interest payments. See Geyikdagi, 31, 33.

⁶⁹ See, e.g., Davis, The extent of British financial investment in Egypt further influenced their military choices in the ‘Urabi Revolt. Lord Cromer, British consul-general of Egypt, always considered Egyptian financial organization among his chief callings. See John Marlowe, *Cromer in Egypt* (Praeger, 1970). It is also worth noting that after the Ottomans declared bankruptcy, the collateral for the restructured Ottoman loan included in annual Egyptian tributary revenue to the Porte. See Geyikdagi, 37.

⁷⁰ Geyikdagi, 41.

⁷¹ See, e.g., Pamuk, *Monetary*, 211 – 213.

⁷² *Ibid.*

Salonica, was headquartered in London and opened at the behest of the British.⁷³ Within a few years, in 1863 it was reorganized from its initial intended purpose as a commercial bank. With additional backing from the French, it became the Imperial Ottoman Bank (*Bank-ı Osmanî-i Şahane*) and expanded its economic role significantly, working also as a state bank that issued banknotes and initiated external borrowing.⁷⁴ Throughout this process, it was run by committees operating out of London and Paris, its upper management positions held by British and French nationals.⁷⁵ By the 1890s—after the bankruptcy had devastated the Empire—other British- and French-backed banks were pouring in.⁷⁶

At the same time, the British sought greater control over Khedival Egypt, which had become an Ottoman tributary state rather than a province in 1865 and had experienced a parallel bankruptcy in 1876.⁷⁷ Egyptian tributary taxes to the Ottomans had been part of the collateral refinancing the 1875 bankruptcy, and the British were

⁷³ Locally-run Ottoman banks also sprang up, but most were focused on limited regional populations. These include the Bank of Salonica (founded 1888) and the Bank of Mytilene (founded 1891). See Pamuk, 221.

⁷⁴ See Geyikdagi, 35, Pamuk, *Monetary*, 221.

⁷⁵ Many of these could be holders of *berats*, Ottoman minorities who had special relationships with European countries guaranteeing them a form of diplomatic immunity and freedom from taxation.

⁷⁶ See, e.g., Pamuk, *Monetary*, 221; Thobie, Jacques, “European Banks in the Middle East,” in Rondo Cameron and V. I. Bovykin (eds.), *International Banking 1870 - 1914*, (Oxford University Press, 1991), 421 – 25; Clay, “The Origins of Modern Banking in the Levant: the Development of a Branch Network by the Imperial Ottoman Bank, 1890 - 1914,” *International Journal of Middle East Studies*, 26 (1994), 589 – 614. German banks became a presence primarily after WWI. See Pamuk, *Ottoman Empire*, 62 - 81

⁷⁷ Cf. this chapter, footnote 10.

increasingly concerned about making sure that the Ottomans and the Egyptians would make good on their debt. As local Egyptian movements sought more national independence leading to the 1882 ‘Urabi Revolt, British policymakers sought more influence to ensure their own flows of capital.⁷⁸ Foreign indebtedness and foreign trade further entwined the states’ fortunes, as English bondholders feared losses and English textile workers feared a rebellion would result in lack of guaranteed inflows of cotton.⁷⁹ The 1882 British occupation of Egypt, which would last in one form or another until 1954, had the financial concerns of their own as its driving motivation, creating strong incentive for British enforcement of an outside system of land irrigation, cultivation, and economic accounts.⁸⁰

Holding the financial leash, the Great Powers requested further that their nationals living in the Ottoman lands be given perks and priority in international trade.⁸¹ As successive sultans worked to free the empire of debt, they became even more entangled in the international economy. European capital directly funded much of the proliferation of rail lines and the construction of ports in coastal Ottoman cities in the second half of the nineteenth century. Attendant economic expansion through foreign trade was exponential, as “foreign trade in the areas within the 1911 borders of the Empire, Anatolia, Syria, and Iraq increased by about fifteen fold between the 1820s and

⁷⁸ See Eric Davis, *Challenging Colonialism: Bank Misr and Egyptian Industrialization, 1920 – 1943*. (Princeton: Princeton University Press: 1983), 42.

⁷⁹ *Ibid*, 43.

⁸⁰ *Ibid*. See also Clay, chapters 3 -4.

⁸¹ Pamuk, *Monetary*, 204.

World War I.”⁸² As Geyikdagi emphasizes, “From the mid-nineteenth century, when the Ottoman Empire was in woeful political and economic circumstances, foreign investment made its inroads. For years to come, it was influential in the political field, having a major stay in the state administration, and in the social field by shaping the people’s way of life.”⁸³

This last is crucial to understanding how Western conventional banking came to be perceived as inextricably linked with foreign-ness and colonialism in the popular imagination. As capital flowed into the empire, the use of money as a medium of exchange became more common from the cities to the hinterlands, and new, physical houses of financial exchange— new to the Ottoman Empire in the nineteenth century— soon followed.⁸⁴ Thus it was through bankruptcy and mounting foreign debt that the modern Western conventional system of banking, encroaching for decades, conquered the financial system of the crumbling Empire.

Banking and Islam: *Ribā*, Ethics, and Social Justice

It is little wonder that turn of the century Ottomans and Egyptians perceived banking at interest with suspicion, a foreign import that had already proven to have dire

⁸² Pamuk, *Monetary*, 205. See also C. Issawi, *The Economic History of Turkey, 1800 – 1914* (Chicago, IL: University of Chicago Press, 1980), Chapter 3; and Pamuk, *The Ottoman Empire and European Capitalism, 1820 - 1913: Trade, Investment and Production* (Cambridge University Press, 1987), Chapter 1; see also Donald Quataert, “The Age of Reforms,” in H. Inalcik and D. Quataert (eds.), *An Economic and Social History of the Ottoman Empire, 1300-1914* (Cambridge University Press, 1994), 825- 87.

⁸³ Geyikdagi, 29.

⁸⁴ See Pamuk, *Monetary*, 205.

consequences. Yet these concerns were not simply a result of European colonialism and the bankruptcy. The question of relationship to capital, and of the most pious way to conduct economic life, had existed in the Muslim world long before European intervention. Though lacking an established jurisprudential tradition devoted exclusively to economics as a concept, Islamic law was rooted in the concept of social justice. It had warned against unscrupulous business practices from its inception, when the Prophet Muhammad had revealed a strict prohibition against usury in the Qur'an. In order to understand the complex origins of Islamic finance in the twentieth century, a brief summary of Islamic theology relating to credit and interest is laid out here.

Ribā, a Qur'anic term, has been the chief concern of Muslim clerics with Western conventional banking since it became the international standard. Pakistani scholar of Islam Fazlur Rahman's work on the issue of *ribā* is among the most comprehensive and clear, and as such it is briefly reviewed here.⁸⁵

Though *ribā* is often approximated as "usury" or "interest" in the contemporary English-language literature on Islamic finance,⁸⁶ it carries more distinctive associations in the original classical Arabic.⁸⁷ Derived from an Arabic root whose related meanings include to grow, to increase / prosper, to rise, to swell (as in foam), and to nurture (a

⁸⁵ See Rahman, "Ribā and Interest," *Islamic Studies* 3:1 (1964), 1 – 49.

⁸⁶ English, as the common language of the globe, is also the primary language of contemporary Islamic finance. Typically the literature includes a substantial number of un-translated Arabic terms, most of them names of different products and specific banking concepts. *Ribā* is often used interchangeably with interest in this literature.

⁸⁷ Rahman prefaces his article with the insistence that attempts to translate it are the source of so much confusion over the concept. See 1.

child), *ribā* is used in different senses in the Qur'an and in the hadith literature,⁸⁸ leading later jurists to parse the term into the *ribā al-Qur'an* and the *ribā al-faḍl* ("ribā of excess," also called the *ribā al-Ḥadīth*, described below).⁸⁹

Qur'anic language prohibiting *ribā* is emphatic and dire. In *Sūrah al-Baqarah* (The Cow) II, 274 – 277:

Those who consume *ribā* shall not rise except like the one who has been struck by the Devil's touch. This is because they say that selling and *ribā*-making are one and the same thing, whereas God has made selling lawful and has forbidden *ribā*. Whosoever receives an admonition from his Lord and desists, he shall have his past gains, and his affair is committed to God; but whosoever reverts –those are the inhabitants of the Fire, therein dwelling forever. God destroys *ribā* but makes alms prosper.⁹⁰

From these verses, the intensity with which Muslim jurists sought to avoid *ribā* may be well understood. Yet, the verses provide no clear definition of what exactly is to be avoided.

The reason for the lack of clarity is explained in a tradition that states that, when context is taken into account, these verses may very well be among the last revealed words

⁸⁸ Rahman, 2. The hadith literature is comprised of the sayings and actions attributed to Muhammad and his early companions, passed down through the generations and recorded. They are considered the pious model from which Muslims should derive their understanding of right behavior.

⁸⁹ Rahman, 2. The Qur'an and hadith literature include the most detail about the life of the Prophet Muhammad and his companions. Their examples are considered the most righteous, with the result that Muslim tradition has developed a system of deriving as much as detail as possible from this literature in order to have a model of piety off of which other Muslims can base their actions.

⁹⁰ Quoted in Rahman, 4.

of the Qur'an.⁹¹ Because of this, so the tradition went, the Prophet did not have sufficient time to clarify fully the “constituent elements of *ribā*” before his death, and, therefore, that people should avoid anything that appears similar to it.⁹² *Sūrah al-Imran*, III: 130 further states, “O you who believe, do not consume *ribā* with continued redoubling and protect yourselves.”⁹³ Clerics and thinkers like Rahman have interpreted this to mean that *ribā* was often a particularly severe form of usury practiced during the time of the Prophet, in which the principal of a loan was doubled—and perhaps continued redoubling—if the creditor could not pay it when due.⁹⁴ Nevertheless, the lack of definitional certainty remains.

Hadith literature is normally used to clarify and contextualize the poetic and often obscure references of the Qur'an. Yet in this case it only adds to the complexity: all manner of financial transactions are labeled *ribā* in different hadiths. For example, one hadith, the origin of the term *ribā al-faḍl*, (*ribā* of excess) insists that one must trade equally:

Abu Sa'id al-Khudri reported God's messenger as saying: ‘Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, and salt by salt like for like, payment being made ‘hand to hand.’ If anyone gives more or asks for more he has dealt in *ribā*. The receiver and the giver are equally guilty.’⁹⁵

⁹¹ 4. It is worth noting here that the accuracy and veracity of this tradition is not upheld by all. Rahman, for example, disputes it.

⁹² Ibid, 4.

⁹³ Ibid, 3. *Imran* (Joachim) is the name of the father of Maryam (Mary), mother of Isa (Jesus).

⁹⁴ Ibid, 6.

⁹⁵ Quoted in Rahman, 13. These hadiths are taken from the Saḥih al-Bukhari and are considered among the most reliable.

Such a prohibition leads to juristic confusion—what exactly is traded if like is exchanged exactly for like? It is hard to imagine two wheat crops at a precisely equivalent state of health and quality. How— and why— would one trade at all with such parameters? Yet other hadiths state, “There is no *ribā* except on loans,”⁹⁶ sidestepping the equal trade question entirely. Such contradictory statements have been the subject of jurisprudential discussion since the formative days of the orthodox Islamic *madhabs* (schools of thought)⁹⁷ and— important for our purposes— remain a matter of debate today.

Ribā, then, remains a contested matter in every sense, from its definition to its interpretation to its implementation. For our purposes, it is important to emphasize that by the nineteenth century Ottoman Empire, interest— and credit generally— was widely understood to be synonymous with *ribā*. Furthermore, it is important to make explicit one of the implicit through-lines of this summary: *ribā* carries one clear and foundational implication, present in all of its instantiations in the literature: taking unjust advantage of one’s business partners is a cause for divine wrath. *Ribā* is, then, an ethical issue, and avoiding it is both moral imperative and prerequisite to the central Islamic ethical framework of fairness and social justice.

Here it is also vital to dispel a possible misconception: Despite the widespread consensus among Islamic theologians that interest is not compliant with the *sharia*, historical evidence of interest-based finance in one form or another is present throughout

⁹⁶ Ibid.

⁹⁷ For a brief discussion of the formation of the orthodox schools, see this dissertation, Chapter 2, 101-103.

Ottoman lands from the time that we have documentation.⁹⁸ As emphasized in the next section, though a thorough analysis would exceed the scope of this project, it is important to emphasize that credit and interest have *always* been part of finance in one way or another, in lands West or East. While there are undoubtedly regional differences in financial culture yet to be discovered in the different Ottoman provinces, the use of interest in finance was ubiquitous in Ottoman culture up until the late nineteenth century, used by men and women, Muslims and non-Muslims, rich and poor, for as long as we have documentation.

What Came Before: Traditional Ottoman Economic Culture

Much of the extant history and historiography of the Ottoman financial collapse focuses on why the Europeans were triumphant; on why the Ottomans, introduced for the first time to lines of credit and banknotes and interest-bearing loans and international

⁹⁸ Nevertheless, it is vital to emphasize that the historiography of the Ottoman Empire is in a state of transformation. Due to the linguistic inaccessibility of Ottoman Turkish—it is a highly ornate and rarely taught language—and the relative difficulty of finding information in the Ottoman archive, there is much we do not know about Ottoman history. In addition, the history of money itself in the Ottoman Empire has an added layer of complexity. As Middle East economic historian Şevket Pamuk explains, “Monetary history has remained one of the least studied areas in the historiography of the Ottoman Empire and more generally of the Middle East. There does not exist a comprehensive study dealing with the basic features and the evolution of the monetary arrangements prevailing in different parts of the Empire, let alone the logic of the overall system if one existed.” Pamuk, *Ottoman Monetary History*, xi. For a discussion of the development of credit in the medieval period, see Abraham L. Udovitch, *Partnership and Profit in Medieval Islam* (Princeton: Princeton UP, 1970).

banking, were unable to compete with the European colonizing powers in the financial arena. A byproduct of this focus on the victors has meant that very little has been written in this literature on what the new European system of finance displaced.⁹⁹ Much can and has been said about Islamic economic culture and the Ottoman Empire. In the interest of brevity, this section focuses on the area of nineteenth century Ottoman socioeconomic culture whose eclipse most influenced the later development of Islamic economics: the socioeconomic system of *waqfs* (charitable endowment, similar to a European trust).

The collapse of the system of *waqf* sheds light on the origins of the Islamic finance question in addition to explaining why the Ottomans were so ill equipped for Western finance. Before modern banking, a primary means of socioeconomic organization in communities across the Ottoman Empire was the *waqf*. Records of these endowments, kept by the Islamic courts¹⁰⁰ in individual municipalities throughout the empire, have proven an invaluable source— often the only source, in fact— for historical

⁹⁹ This is not to say that there is no general Ottoman economic history; volumes have been written about Ottoman economic history and Islamic economic culture, each of which played an obvious role in the Ottoman economy. Unfortunately, this historiography is rarely if ever situated alongside the historiography dealing the Ottoman financial collapse and vice versa. For more on Ottoman economic history generally, see, e.g., Charles Issawi, *An Economic History of the Middle East and North Africa* (New York: Routledge, 1986); Deniz T. Kilinçoğlu, *Economics and Capitalism in the Ottoman Empire*, (New York: Routledge, 2015); Huri İslamoğlu-İnan, *The Ottoman Empire and the world-economy* (Cambridge: Cambridge University Press, 1987).

¹⁰⁰ The Ottoman legal system was adjudicated through two separate and often mutually-enforcing courts: the Ottoman secular *kanun* (canon) law, which often dealt with issues like imperial taxation, and Islamic *sharia*. See, e.g., Martha Mundy and Richard Saumarez Smith, *Governing Property, Making the Modern State: Law, Administration and Production in Ottoman Syria* (New York: I.B. Tauris, 2007), 23.

reconstruction of socio-religious and economic norms in different segments of the empire.¹⁰¹ This section combines different case studies from urban centers across the Ottoman Empire in order to reconstruct some notable characteristics about the nature of *waqf* and their socioeconomic function in the pre-colonial period. It is noteworthy, however, that our information on *waqfs* is patchy, and that because Islamic law is characterized by pluralism, regional and municipal variations in *waqf* administration abound. Because of this, specific municipalities and time periods are named with each characteristic.

According to the Ḥanafi school¹⁰² of Islamic law, the school of the Ottomans, the definition of *waqf* is: “the detention of the corpus from the ownership of any person and the gift of its income or usufruct either presently or in the future, to some charitable purpose.”¹⁰³ In order to become *waqf* property, the owner must declare it so, reserving its income for a specific person. Upon this declaration the owner abrogates his ownership and the property ceases to be his or hers. “It cannot be transferred or alienated by him [or her], the administrator of the *waqf*, or the beneficiaries; and it does not devolve upon the owners’ heirs.”¹⁰⁴ Although one of the requirements for property to be *waqf* is that it be reserved for charity, this may be an intended rather than immediate goal; allowances

¹⁰¹ For a discussion of the state of the field, see Miriam Hoexter, “Waqf Studies in the Twentieth Century: The State of the Art” *Journal of the Economic and Social History of the Orient*, 41: 4 (1998), 474-495.

¹⁰² For more on the Sunni jurisprudential schools, see this dissertation, Chapter Two, 101-103.

¹⁰³ Majid Khadduri and Herbert J. Liebesny, eds., *Law in The Middle East*. (Washington DC: Middle East Institute, 1955), 203.

¹⁰⁴ *Ibid.* 203

can be made for one's income to be reserved specifically for one's descendants "in perpetuity, with a provision that upon the extinction of [one's] descendants, the income shall be used for relief of the poor or some other charitable object."¹⁰⁵ There are two fundamental kinds of *waqfs*: first is the *waqf ahli*, or family *waqf* (just described); second is the *waqf khayri*, or charitable *waqf*, in which the property goes immediately to a charitable purpose. These two kinds of *waqfs* can be combined, as when part of the property goes to specific relatives and the rest directly to charity.¹⁰⁶

Waqfs are administered by a *mutawalli* (trustee), whose duty it is to administer and protect the *waqf* in addition to receiving and distributing any of its proceeds to its beneficiaries, and who is always under the legal and religious authority of a *qadi* (Islamic religious judge).¹⁰⁷ As a charitable contribution, the *waqf* can be said to belong to God. Having been declared *waqf*, property cannot change its status; theoretically it cannot "be the subject of any sale, disposition, mortgage, gift, inheritance, attachment, or any alienation whatsoever."¹⁰⁸ Usually land, libraries, buildings such as mosques and hospitals, the administration of such, and flocks and herds are acceptable forms of *waqfs*. A final important—and religiously contested—form of *waqf* endowment is the cash *waqf* (*waqf al-nuqūd*). A cash *waqf* is "the establishment of a trust with money the interest from which might pay the salary of a teacher, or preacher, or even unashamedly pass into the

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Ibid. 204. From this brief description it may be deduced that the *mutawalli*, as administrator of property that cannot be sold, and as a person who usually inherited his or her position, often attained a high level of power and influence depending on the size of the *waqf* administered.

¹⁰⁸ Ibid. 204.

pocket of the founder of the trust.”¹⁰⁹ Because Islamic law explicitly forbids *ribā* (usually understood as interest), cash *waqfs* are questionable in terms of legality. Yet they were accepted and used extensively throughout many cities of the Ottoman Empire, opening “a legally sanctioned and governmentally controlled money market for the small lender and buyer.”¹¹⁰

Within the Ottoman Empire, *waqfs* were an integral, interweaved component of social and economic life from the time of its inception in 1299. As Bahaeddin Yediyildiz explains, by the eighteenth century:

[T]hanks to the prodigious development of the *waqf* institution, a person could be born in a house belonging to a *waqf*, sleep in a cradle of that *waqf* and fill upon its food receive instruction through *waqf*-owned books, become a teacher in a *waqf* school, draw a *waqf*-financed salary, and, at his death, be placed in a *waqf*-provided coffin for burial in a *waqf* cemetery. In short, it was possible to meet all one's needs through goods and services immobilized as *waqf*.¹¹¹

Across the urban centers of the nineteenth century Ottoman Empire, *waqfs* were utilized as an effective means to safeguard individuals, their families, and their property against the reach of the Sultan because *waqfs*, as designated property of God, were considered untaxable. Thus the significance of *waqfs* within Ottoman socioeconomic structure should not be understated.

¹⁰⁹ See Jon E. Mandaville. “Usurious Piety: The Cash Waqf Controversy in the Ottoman Empire” *International Journal of Middle East Studies* 10 (1979): 289.

¹¹⁰ Mandaville. “Usurious Piety,” 289.

¹¹¹ *Institution du Waqf au XVIIIe Siècle en Turquie: Etude Socio-Historique* (Ankara, Turkey, Editions Ministère de la Culture: 1990), 5. Translation Timur Kuran. In Kuran, “The Provision of Public Goods under Islamic Law: Origins, Limitations, and Impact of the Waqf System.” *Law and Society Review*, Volume 35 (01/2001), 841-943

Waqfs were not simply a means to shelter wealth. When considered as a means to protect one's family from state interference, they take on added significance. This is particularly the case when they are contextualized within broader Islamic inheritance law, according to which inheritance is fixed, largely favors the male descendants, and cannot be altered in the interest of a specific individual. The *waqf* was a way to both 1) circumvent religious tradition if one desired to, for example, leave more money or assets to a female or male heir, or attempt to guarantee the prosperity of a specific line of descendants, and 2) protect one's assets from taxation. Indeed, family *waqfs* were usually entitled to tax reductions, if not complete exemptions.¹¹² Moreover, a *waqf* owner could legally designate him or herself as the first *mutawalli* (trustee) of his or her own family *waqf*, determine his or her own salary, and also hire members of his or her own family to work the *waqf* land. Thus the trappings of a social structure revolving around the development and administration of *waqfs* can well be seen: the more expansive the *waqf*, the more power and prestige associated with the families involved in its administration.¹¹³ The vast

¹¹² Kuran. 856.

¹¹³ In a study that examines the association of social prestige and *waqf* administration in Ottoman Aleppo in the eighteenth and nineteenth centuries, Ruth Roded notes that “the local elite of the Syrian cities in the Ottoman period had no immutable hereditary property right, no political or religious posts which were inherited by law, and even hereditary social status was ephemeral” (87)—yet landed wealthy families of great prominence existed in Aleppo over several centuries. According to her research, when a family in Aleppo, having endowed a *waqf*, designated as *mutawalli* one of their own descendants, it was highly likely that social prominence was in store. This was particularly so in the case of large *waqfs*, which, Roded explains, could serve as “magnets for additional endowments by family members or outsiders” (88). In this way the *waqfs* could be perpetually growing through further donations, and the wealth and prestige of the

majority of *waqfs* established in eighteenth and early nineteenth century Egypt and Istanbul, for example, were family *waqfs* (as opposed to charitable *waqfs*, in a ratio of 5:1) and were founded by ruling class elites.¹¹⁴ Moreover, as economic historian Timur Kuran emphasizes, for those who were already in power, the family *waqf* was a favored means to safeguard against hard times and the possibility falling out of favor with the sultan.¹¹⁵

Yet, despite the abundance of family *waqfs*, the prominence of external (non-familial) religious endowments must be emphasized when examining the socioeconomic implications of *waqf* endowments in the urban centers of the Ottoman Empire. Ruth Roded, in a study of popular beneficiaries of *waqf* in eighteenth and nineteenth century Aleppo, notes the frequency of religious schools and both great and neighborhood mosques.¹¹⁶ Further, Daniel Crecelius, in his study of the *waqf* of Muhammad Bey in late eighteenth century Cairo, describes the lavish religious complex endowed through *waqf*.¹¹⁷ The fact that many *waqfs* were religious in nature reflects the strong charitable bent of both Cairene and Aleppine—and by extension broader Ottoman—culture, and the ways in which *waqfs* served as a non-state system of wealth redistribution. Indeed,

family grew concomitantly. Roded notes that, moreover, “the waqf could serve as a vehicle for social mobility of new families into the urban elite”(87). Ruth Roded. “The *Waqf* and The Social Elite of Aleppo in the Eighteenth and Nineteenth Centuries.” *Turcica* 20 (1988), 71-91.

¹¹⁴ Kuran, 857.

¹¹⁵ Ibid.

¹¹⁶ See Ruth Roded. “Great Mosques, Zawiya, and Neighborhood Mosques: Popular Beneficiaries of Waqf Endowments in Eighteenth and Nineteenth Century Aleppo.” *Journal of the American Oriental Society*. (1990): 32.

¹¹⁷ See Daniel Crecelius. “The Waqf of Muhammad Bey Abu al-Dhahab in Historical Perspective.” *International Journal of Middle East Studies*, 23 (1991): 57-81.

Abraham Marcus, in his analysis of eighteenth century Aleppo, speaks of hundreds of *waqfs* “formed by philanthropists support[ing] services and communal institutions, displaying one of many aspects of the public spirit and activism essential to understanding the workings of the city.”¹¹⁸ Court records indicate that minority religious confessions—Christians and Jews—could and did designate property as waqf throughout the Ottoman Empire; this was a community endeavor.

Still, religious and economic interests were intertwined. In addition to the benevolent and pious nature of religious *waqf* endowments, they also, like the family *waqf*, served to maintain the social hierarchy of Ottoman society in any given city.¹¹⁹ Given the power of the Muslim religious authorities, especially their ability to name waqf trustees and thereby affect the economics of their cities, the designation of *waqfs* as religious complexes were a highly effective way to reinforce local social and political structures. Religious donations, on a social level, could establish the religiosity and piety of the founder, and ensure a lengthy and positive political relationship between the *qadi* (religious judge), ‘*ulamā*’ (Islamic religious authorities), and other religious leaders and the donor.

As noted earlier, credit and interest have always been part of finance in one way or another, in lands West or East. Through a careful study of *waqf* records, scholars have unveiled data that indicates Ottoman subjects—including Muslims—were engaged in interest-based finance throughout at least the last four centuries of the empire’s existence.

¹¹⁸ See Abraham Marcus. *The Middle East on the Eve of Modernity: Aleppo in the Eighteenth Century*. (Columbia: Columbia University Press, 1989) 287.

¹¹⁹ See, e.g., Gabriel Baer, “The Waqf as a Prop for the Social System (Sixteenth-Twentieth Centuries)” *Islamic Law and Society*, 4:3 (1997), 264-297.

In one of many examples, scholar Ronald Jennings examined Ottoman *waqf* records in the Anatolian cities of Amasya, Kayseri, Karaman, and Trabzon in the sixteenth century over a twenty-year period, finding thousands of debt-based court cases between family members and between the community at large, with women registered as well as men. Rates of interest on these loans were between ten and twenty percent, all clearly and unapologetically documented in the court registry.¹²⁰ As Pamuk emphasizes, the abundant supply of capital listed in the documents indicates that no one confessional, geographic, or socioeconomic group of moneylenders monopolized the credit markets: Muslims, Jews and Christians were all involved,¹²¹ signifying that “the profit motive permeated all segments of the urban societies in these areas, not just the people of the bazaars but the rural landholders, the Ottoman military class, and the ‘*ulamā*’ as well.”¹²²

Charitable endowments served an additional societal purpose, probably their most crucial. In the nineteenth century Ottoman Empire, “health, education, and welfare were *entirely dependent* upon gifts and [charitable] endowment income” (emphasis mine).¹²³ Unlike modern Western governments, who frequently subsidize the cost of hospitals, schools, and other large public works, Istanbul was often uninvolved in their financing (unless the Sultan or his family endowed public charitable *waqf* land, which happened occasionally). Instead, they were made up of revenue and lands from charitable *waqfs*. The lack of extensive social services provided by the Porte, combined with widespread

¹²⁰ See Ronald Jennings, “Loans and Credit in Early Seventeenth Century Ottoman Judicial Records,” *Journal of the Economic and Social History of the Orient* 16 (1973), 168-216.

¹²¹ Pamuk, *Monetary*, 68.

¹²² Jennings, 169.

¹²³ Jon E. Mandaville. “Usurious Piety: The Cash Waqf Controversy in the Ottoman Empire” *International Journal of Middle East Studies* 10 (1979): 290.

desire on the part of Ottoman subjects for some form of property rights, meant that people had little incentive to pay their taxes and every incentive to utilize *waqfs* to get around them.

Not surprisingly, by the nineteenth century, a significant proportion of agricultural land in the Empire was tied up in *waqf* endowments and exempt from taxation. Estimates place between one quarter and three quarter of all arable land in the Empire as designated as *waqf*, as well as a much higher proportion of urban property.¹²⁴ According to Timur Kuran:

Available aggregate statistics on the assets controlled by *waqfs* come from recent centuries. At the founding of the Republic of Turkey in 1923, three-quarters of the country's arable land belonged to *waqfs*. Around the same time, one-eighth of all cultivated soil in Egypt and one-seventh of that in Iran stood immobilized¹²⁵ as *waqf* property. In the middle of the 19th century, one-half of the agricultural land in Algeria, and in 1883 one-third of that in Tunisia, was owned by *waqfs*.¹²⁶

The amount of revenue rendered inaccessible to the Sultan was thus considerable.

As the Ottoman Empire spiraled further and further into debt to the European Great Powers throughout the nineteenth century, ambassadors and bankers proposed the

¹²⁴ Christopher Clay, *Gold for the Sultan*, 610. See also S. Pamuk, *The Ottoman Empire and European Capitalism, 1820-1913* (Cambridge, 1987), 91, and H. Inalcik and D. Quataert, *An Economic and Social History of the Ottoman Empire, 1300-1914* (Cambridge, 1994), 712.

¹²⁵ Kuran's use of the term "immobilize" in reference to *waqf* is an indication that he accepts the notion that *waqf* lands were genuinely inalienable, out of reach of the Sultan. There is literature that contests this view, arguing for the fairly common practice of establishing a *khulu*, in which *waqf* land was re-introduced into the Ottoman economy and its inalienability was lifted. See, e.g., Gad Gilbar, ed. *Ottoman Palestine, 1800 – 1914: Studies in Economic and Social History* (Leiden: Brill, 1990).

¹²⁶ 849.

expropriation or taxation of *waqfs* lands to Ottoman Viziers and ministers several times, with less than enthusiastic responses. In 1860, for example, the British government proposed a comprehensive package of reforms to Ali Pasha, an Ottoman statesman, with the aim of increasing Ottoman revenue to offset debts. Among the list of financial reforms was the “proposal that the exploitation for revenue purposes of forests, mines, public lands and *waqf* property should be entrusted to a mixed commission of Ottomans and foreigners” including a British and French committee member.¹²⁷ Yet the Ottoman Sultan refused, citing religious reasons.¹²⁸ It was only on the eve of the bankruptcy in 1873 that the expropriation of *waqfs* through massive secularization was considered in an offer to the British and French by Mehmet Rustu, an Ottoman statesman.¹²⁹ Even then, however, British and French representatives in private letters doubted the sincerity of the offer.¹³⁰ It never came to fruition.

Though questions of space prohibit an in-depth elaboration, it is important to emphasize that, though a vital piece of the Ottoman socioeconomic system, *waqfs* were gradually stripped of power throughout the Middle East and North Africa as Western finance became standardized. With the British and French protectorates and later semi-colonial mandates starting in the mid-1880s—most of them justified by the colonizers as a necessary response to Ottoman and Egyptian foreign debt management failures— *waqfs*

¹²⁷ Clay, *Gold for the Sultan*, 53.

¹²⁸ *Ibid.*

¹²⁹ *Ibid.* 229.

¹³⁰ *Ibid.*, 230.

came under European control, eliminating their independent power.¹³¹ This standard of government control remained in place with the transition to Middle East nation-states, as Algeria, Syria, Egypt, and Turkey nationalized their *waqf* properties during decolonization.¹³²

¹³¹ See, e.g., Jonathan Benthall and Jerome Bellion-Jourdan, *Charitable Crescent: Politics of Aid in the Muslim World* (New York: I.B. Tauris, 2003), 34.

¹³² See, e.g., Samiul Hasan, *Human Security and Philanthropy: Islamic Perspectives and Muslim Majority Country Practices* (Springer, 2015), 189. In Egypt, for example, state attempts to consolidate control over *waqf* met with varying degrees of success until Nasser's agrarian reforms of 1952. It was at this time that he began to target members of the royal family and major landowners, the class from which most administrators and founders of *waqfs* came. That same year he passed a law banning the *waqf ahli* (family *waqf*), thereby crushing the tradition by which wealthy elites could endow *waqfs* for their descendants as both a tax shelter and a means of circumventing Islamic inheritance law. By 1954, Nasser mandated that all *waqfs* be placed under the authority of the Ministry of *Waqfs* (*Wizarat al-Awqaf al-Masrīyya*), thereby entirely eliminating the traditional position of the *mutawalli* (*waqf* administrator). Simultaneously, Nasser gave the Ministry of *Waqfs* "the authority to spend the revenue of any cash *waqf* or of part of it *without being bound to execute the conditions and provisions laid down by the waqf founder*" (emphasis added). Soon, in 1957 and 1962, two laws were passed under Nasser: The first mandated the transfer of all *waqf* land to the Agrarian Reform Administration (*al-Hay'ia lil-Islah al-Ẓīra'i*) "in order to be distributed to small farmers." The second transferred all institutions financed by *waqf khayri* (charitable – i.e., non-familial endowments) – schools, hospitals, etc. – from the jurisdiction of the Ministry of *Waqfs* to the Ministry of Education and Ministry of Health, thereby stripping the Ministry of *Waqfs* of any real power and signaling the effective loss of autonomy of religious institutions in Egypt. See Haydar Taygun, "The Legal Confrontation between Tradition and Modernity: Awqaf of the Ottoman State In the Nineteenth Century," (Unpublished paper). http://www.hctaygun.com/awqaf_taygun.pdf, accessed 9/12/12

Thus, returning to the basic question that drives this chapter: Why was Islamic economics conceived as a necessary response to European colonialism? In part, it is because the centuries-old economic system that European finance displaced was quintessentially Islamic, and because it acted as far more than just a trust or charitable endowment: *waqfs* constituted a powerful socioeconomic mediator within Ottoman communities, leveling economic disparities, aiding the poor, contributing to a sense of community, and often effectively preventing the usurpation of power by imperial elites; they were a socioeconomic glue of society. Ironically, because they provided so many vital social and economic functions, the structural and cultural function of *waqfs* prevented the imperial consolidation of power and resources, particularly during the turbulent nineteenth century. In other words, they did not lend themselves well to international banking systems, and they did not compete well with the aggressive, *laissez-faire* capitalist system introduced from Europe.¹³³ But, it is important to note, they did lend themselves for centuries to local municipal and intra-empire social stability. Furthermore, they were perceived as quintessentially socially just, seamlessly interweaving religious morals and obligations with financial practice.

This last should not be understated, as it is vital to the exploration of the rise of Islamic finance: Islam itself was not understood by everyday nineteenth-century Ottomans as something separable from everyday life (or from economic transactions); Islam *was* the good life, encompassing all. Economic transactions were thus not distinct from Islam; all was part of a whole. The notion of a separate, discrete (Western) finance,

¹³³ On the introduction of and Ottoman response to *laissez-faire* capitalism from the Great Powers, see, e.g., Deniz T. Kiliçoğlu, *Economics and Capitalism in the Ottoman Empire*, (New York: Routledge, 2015), chapter 2.

rooted in the solitary goal of capital accumulation and management, was culturally foreign, a European innovation that stood outside of Ottoman understandings of the role and function of commerce and personal gain. There was, therefore, a strong historical and religious precedent in for Ottoman Muslims to consider carefully the morality and religious compliance of economic systems.¹³⁴

The *Nahda* and New Arab Publics

Why did Ottoman and Egyptian subjects of the late nineteenth century come to view interest-based banking as foreign, a colonizing construct? The most immediate answer is that, as described above, physical banking institutions and the kinds of documentation that come with them— places of audits, deposits and accounts— were indeed new European imports. Ottomans had not previously organized their moneys in quite the same way. More deeply, the answer comes from a cultural transformation that took place throughout the Ottoman Empire in the nineteenth century, itself only partially due to European colonial infiltration.

Concomitant with French colonialism and later British occupation, Enlightenment culture had also swept in to the Middle East, both through colonial

¹³⁴ Scholars of Islam in modernity including Olivier Roy, Dale Eickelman, and James Piscatori refer to the Enlightenment-era phenomenon of making religion a discrete, separable category as “objectification.” Thus, part of the process of European contact and the European focus on separating finance from religion was the “objectification of Islam.” See, e.g., Olivier Roy, *Globalized Islam: the search for a new Ummah* (New York: Columbia University Press, 2004), 152 – 153. See also Eickelman and Piscatori, *Muslim Politics* (Princeton University Press, 1996), chapter 2.

conquest and through active solicitation by inquisitive Ottoman (and later Egyptian) subjects and rulers.¹³⁵ Indeed, it was active interest in European advances that led in part to the spending that eventually fuelled the Ottoman bankruptcy. Intent upon learning the new European science and technology, starting in the mid-nineteenth century Ottoman subjects increasingly studied abroad in Paris and London. As nineteenth century Ottoman sultans and Egyptian reformer Muhammad Ali invested heavily in a modernized state infrastructure, expanding railways and working to industrialize, they also sought teachers to keep them competitive in a new age of science and philosophy.¹³⁶ Political science, European literature and languages, European philosophy and more was soon translated and published locally by eager returning students, thirsty for continued knowledge from abroad. Alongside European colonial occupation and European-introduced education, this homegrown movement for intellectual and cultural advancement, often called the Arab *nahḍa* (renaissance), transformed—and in many ways created—the nineteenth century Arab public sphere. Radiating outward from epicenters in Cairo and Beirut, *nahḍa* publications and the new secular public education set the tone for public political discourse during the final half century of the Empire. Cairo in particular, one of the largest urban centers of the Middle East, was culturally formative for this Arab cultural rebirth.

¹³⁵ For a discussion of major Arab intellectuals who sought out European ideas, see, e.g., Steven Sheehi, *Foundations of Modern Arab Identity* (Gainseville, University of Florida Press, 2004).

¹³⁶ Among the earliest Ottoman Egyptian subjects sent to learn European ways and return and report was Rifa al-Tahtawi, sent to Paris to study by Egyptian ruler Muhammad Ali. His response to his sojourn there is detailed in Daniel Newman's *An Imam in Paris: Al-Tahtawi's Visit to France 1836-1841* (London: Saqi, 2004).

The *nahda* literally ushered in (through translation) questions of polity and self-governance, citizenship and rights. Classical liberalism entered the Ottoman and Egyptian zeitgeist alongside new theories of capitalism and communism. Societal self-definition was at a premium as Ottoman and Egyptian middle class publics considered the personal and political implications of the dialectics of sovereign and subject, setting their sights instead on a new vision of state and citizen. All of these questions were derived from European ideas in translation, arriving to the Ottoman and Egyptian worlds alongside sustained colonial occupations.

As a result of new, European-influenced secular education, by the end of the century (1882 – 1900) urban centers like Cairo housed a rich and diversified community of rising intelligentsia educated by the state, men (and a few women) who were becoming the “makers, as well as the primary consumers, of modern Egyptian political life, social institutions, and cultural production.” This urban bourgeoisie was called the *effendiyyah*, an “embryonic professional middle class” who formed new literary circles and salons informed by the exponentially expanding circle of Cairo journalist publications – “no less than 627 newspapers in Cairo and Alexandria (compared to 13 alone between 1852-1880).”¹³⁷ This new intelligentsia was characterized by their experimentation with new European philosophical, literary, and scientific ideas as they forged their own unique modernized culture.¹³⁸

¹³⁷ Yoav Di-Capua, “*Nahda*: The Arab Project of Enlightenment,” in Dwight Reynolds (ed.), *Cambridge Companion to Arab Culture* (Cambridge: Cambridge university Press, 2012), 63

¹³⁸ See, e.g., Marwa El-Shakry, “Knowledge in Motion: The Cultural Politics of Modern Science Translations in Arabic.” *Isis* Vol. 99, No. 4 (December 2008), 701-730.

As a new professional, salaried class, *effendis* were directly affected by the quotidian realities of wage earning and banking even as they explored ideologies of nationalism and independence from Europe. Some *nahḍa* -era *effendis* came to view usury, interest, and banking itself as colonial imports and parts of a system of alien-imposed oppression. For example, the association of usury with foreign occupation and economic domination is marked in the early writings of Talaat Harb, an anti-colonial *effendi* businessman who—like many members of this rising proto-middle class— received a new, state-sponsored and European-influenced secular professional education in the Khedival law school.¹³⁹ A man of humble beginnings, Harb wrote virulently against the British occupation in his 1911 book advocating the creation of an Egyptian national bank, *‘Īlāj miṣr al-iqtisādī wa mashrū bank al-miṣrīyīn* (*Egypt's Economic Remedy and the Project of an Egyptian Bank*), explicitly attacking outside moneylenders for crippling the peasantry through a cycle of endless indebtedness.¹⁴⁰ It is likely that this was a deeply personal project— given his impoverished circumstances, Talaat’s father Hasan Harb may have been “forced to resort to usurers to support himself and his family.”¹⁴¹ Harb’s response to the colonizers’ cruelty

¹³⁹ Eric Davis, *Challenging Colonialism: Bank Misr and Egyptian Industrialization, 1920 – 1943*. (Princeton: Princeton University Press: 1983), 87.

¹⁴⁰ *‘Īlāj miṣr al-iqtisādī wa mashrū bank al-miṣrīyīn* (Cairo: Al-Jarida Press, 1911), 14-16. See also Davis, *Bank Misr*, 86. Harb was not the only Egyptian interested in a local bank to compete with the Europeans— the Khedive himself sought a uniquely Egyptian governmental answer to European control. As shown in the next section, it was in his attempt to establish a savings fund— and the response to it from middle class Egyptians and Islamic reformists Mufti Muhammad Abduh and Rashid Rida— that we see some of the first religious discussion of Islamic finance.

¹⁴¹ Davis, 86. Harb’s other writings demonstrate the extent of his strong Arab nationalist—as opposed to Turkish or Ottoman— sympathies. As Davis emphasizes,

was economic nationalism, a concept he promoted relentlessly. By 1920, Harb founded the successful (still in operation) Bank Miṣr (Bank of Egypt), an Egyptian-owned and run institution.

Thus education and the rise of a salaried middle class—the result of government education and the indirect result of colonial organization—brought with them increased use of and demand for money, as well as concerns regarding its regulation, provenance, and use, making banking itself a more central priority for the average Ottoman and Egyptian urbanite by the dawn of the twentieth century.¹⁴² Simultaneously, the *nahḍa* and the expansion of print culture led to discussion and debate regarding the socioeconomic theories surrounding the new European capitalist infiltration.¹⁴³ One should not, therefore, view the colonized as passive absorbers of this new colonial culture; through the *nahḍa*, they were grappling with change and selectively adopting their own variants.

As World War I approached—and in the context of nearly a century of near-constant imperial attrition in the form of independent nationalist secessions¹⁴⁴—nation-state construction, and questions of economics of state, rose in relevance among *effendis*. The meaning of foreign-ness versus indigenous-ness was highlighted through this process

“Since the Turco-Circassian [Ottoman] political elite neither protected the inhabitants of Egyptian villages from repressive taxes, nor from the practices of foreign and ‘third national’ moneylenders, nor the country from foreign imperialism, Harb's family felt little empathy with Egypt's rulers” (87).

¹⁴² See, e.g., Pamuk, *Monetary*, 205

¹⁴³ For more on socioeconomic theories in Arab translation, see this dissertation, Chapter Two, especially 113-115.

¹⁴⁴ Cf. footnote 3.

of cultural change, and, as Harb demonstrates, in the wake of colonialism cultural lines were drawn. Potential legislators and entrepreneurs, aware that Ottoman economic inefficiencies could not stand up to the new European banking, sought guidance in accounting law while local activists sought new national financial institutions, separate from the Europeans.

Finance and Islam

Muslim religious leaders too felt this influx of ideas, leading them to reevaluate their approach to tradition as they sought to craft a new direction that would both incorporate and respond to modernity. More than any others, Cairo Mufti¹⁴⁵ Muhammad ‘Abduh (1849 – 1911, in office 1899 until his death in 1905) and his student Muhammad Rashid Rida (1865 – 1939) are known for changing the trajectory of Islam in the twentieth-century Arab world through their revised approach to Islamic tradition, a project that came to be known as Islamic modernism. ‘Abduh was deeply concerned about both the influence of European ideas upon his fellows and the continuing encroachment of colonialism. A student of the prestigious Cairo Sunni educational institution, Al-Azhar, ‘Abduh’s response to these concerns was innovative: In order to enable Islam to answer the complexities and claims of modernity, ‘Abduh advocated jurisprudential revision.¹⁴⁶ His methodology was radical and disruptive, laying the

¹⁴⁵ A Mufti is considered the highest Sunni jurisprudential office.

¹⁴⁶ Di-Capua, “Nahda,” 69. For a more detailed discussion of the twentieth century return to *ijtihād*, see Chapter Two, 81-83, 105.

groundwork for the later twentieth-century *Salafi* movement¹⁴⁷: instead of turning to the work of the centuries-old jurisprudential schools in which he himself was trained, ‘Abduh taught that Muslims should seek guidance for right living in the earliest records of the life of the Prophet and his companions, the *sunna*. The best way to interpret the Islamicity of modern life was through renewed *ijtihād*, a process of independent rational investigation.¹⁴⁸

This new, modernist and modernizing approach was both formed by the *nahḍa* and formative of it. Actively seeking a way to communicate with the common people, ‘Abduh and his disciple Rashid Riḍa advocated a shift away from the arcane, insular, and largely inaccessible formal religious commentaries of custom, instead publishing religious judgments (*fatwas*) and commentaries openly to the public in periodicals on topics of the day. Riḍa’s journal *Al-Manār*, published in Cairo (1898 – 1917), was their primary organ. The new, educated and literate middle-class *effendiya*, already searching for societal self-definition, were now able to engage much more directly with Muslim leaders’ approach to religion and modernity—itsself a striking and transformative prospect in a region in

¹⁴⁷ “Salafism” arose within Sunni Islam, its name derived from a hadith attributed to the Prophet Muhammad. The Arabic “*al-Salaf al-Ṣāliḥ*” (“pious predecessors”), from which Salafi is derived, refers to the most righteous, early Muslims of the first three generations after Muhammad. In keeping with this title, Salafis seek to return to the religion’s earliest, pre-sectarian practices, and advocate Islamic revival and reform through adapting Islamic law and jurisprudence to the conditions of modern life. For more on Salafism, see Chapter Two, 105.

¹⁴⁸ *Ibid.*

which the vast majority had been illiterate and unexposed to the rigors of Islamic traditional education.¹⁴⁹

The relationship of Islam to the new Western conventional banking practices was not a common subject in ‘Abduh’s and Rida’s commentaries and judgments. However, the few that we have are demonstrative of the concern that credit-based banking presented for practicing Muslims as they began to assume management of Western conventional finance houses, invest in them, and even found their own. Among the earliest religious sources that introduces the question of Islamic finance is a debate between the *fin de siècle* Khedive of Egypt Abbas II (in office from 1892 – 1914) and Muhammad ‘Abduh.¹⁵⁰

In 1898, several British entrepreneurs had established the Bank of Egypt with full Khedival support. Responding to a governmental request, ‘Abduh issued *fatwas* (religious rulings) on the permissibility of the bank’s activities. Among these was a ruling that approved placement of *waqf* endowment revenues in the national bank as investment funds, rather than in their usual place in the treasury.¹⁵¹ In keeping with his Islamic modernist ethos, ‘Abduh’s unusually open interpretation of *ribā* (usury or interest) was based on the idea that, originally, Muslim rules about the use of money—including the

¹⁴⁹ See, e.g., J. J. G. Jansen *The Interpretation of the Koran in Modern Egypt*. (Leiden: Brill, 1974), 19 – 20.

¹⁵⁰ In the midst of this transition to modernity, ‘Abduh and Abbas had a long-established rivalry regarding which man had ultimate authority over the Muslim community. For a lively recounting of the general rivalry between the two men, see Indira Falk Gesnik, *Islamic Reform and Conservatism: Al-Azhar and the Evolution of Modern Sunni Islam*. (London: I.B. Tauris), especially 187 – 189.

¹⁵¹ *Al-Manār*, 9 (1906), 332. Cited in Gesnik, 175.

prohibition of interest—were derived with the goal of social justice. In this case, depositors were allowed to profit from interest on the argument that the Qur’an “prohibited only such interest as would increase the amount to be paid back on a loan.” In other words, because this form of investment did not impoverish people, it was acceptable.¹⁵²

In his *tafsīr* (Qur’anic exegesis, a commentary written by religious elites), ‘Abduh clarifies that his primary concern regarding *ribā*, derived from the Qur’an, is rooted in the ethics of social justice and concern for the poor. He states that the *ribā* of the Qur’an is

... [T]he *ribā* which relates to credit transactions such that if a poor man could not repay his debt even after the passage of a long time or of many years, the amount he owed was increased manifold. This *ribā* ruined homes, emptied the human heart of fellow-feeling and created a gulf of enmity and hatred between the rich and the poor. When the Prophet limited *ribā* to the *ribā* which is involved in credit transactions, he really made clear the *ribā* meant by the Divine injunction and on whose non-observance God threatened the Muslims with a dire punishment, which is even severer than the threatened punishment for disbelief. Would any person gifted with reason and intelligence maintain that this prohibition of *ribā* is harmful to human beings and prevents them from adding to their wealth? If capital cannot accumulate without ruining the homes of the poor and satiating the avarice of the greedy, then not one man would view with approval this kind of addition to wealth.¹⁵³

Thus *ribā* was only to be prohibited when its use contributed to impoverishment; it was not, in ‘Abduh’s view, wrong in any and all circumstances.

This interpretation of *ribā* as it relates to social justice was tested shortly thereafter, when a locally owned and operated interest-bearing savings fund was created. In 1901, the Egyptian Postal Administration under Khedive Abbas had introduced a new Savings

¹⁵² Gesnik, 175.

¹⁵³ *Tafsīr al-Manār* (Cairo, 1927), III: 15. Translation Fazlur Rahman, “Ribā,” 42.

Fund (*sunduq al-tawfīr*), a fully Egyptian enterprise based on British colonial precedent.¹⁵⁴ The relative piety of interest-based banking and finance—and of the religious permissibility of Muslims *managing* banks and funds involved in such practices—quickly became a factor in ‘Abduh’s assessment. Unlike his earlier ruling, ‘Abduh balked at the permissibility of interest-backed deposits in the Savings Fund. His objection to the fund was rooted in social justice: Such a system “exploits” the money it takes from the people and “does not borrow it from them out of necessity,” ‘Abduh argued. However, ‘Abduh allowed for the possibility that the moneys from the fund could be used in a licit *mudāraba* contract.¹⁵⁵ *Mudāraba* contracts, sometimes called profit-and-loss contracts, are similar to a commenda partnership.¹⁵⁶ They are one of the earliest attested forms of Muslim mercantile exchange, and involve one partner providing capital for a venture and the other partner providing labor. In a *mudāraba* contract, interest is avoided because both partners agree ahead of time to split the profits by percentage. Furthermore, if the venture proves unsuccessful, only the original owner of money incurs the loss.¹⁵⁷

Abduh’s disciple Rashid Rida later recalled the affair, explaining that ‘Abduh’s negative ruling had come at the request of the people, stating that over 3000 of the

¹⁵⁴ See Chibli Mallat. “The Debate on Riba and Interest in Twentieth Century Jurisprudence.” In Mallat, ed. *Islamic Law and Finance*. (London: Graham and Trotman Ltd., 1988), 71.

¹⁵⁵ See *Al-Manar* (1917), 528. Cited in Mallat, 71.

¹⁵⁶ Abraham Udovitch argues that commenda partnerships originated in the Middle East and were spread to Europe through Mediterranean trade. See Abraham L. Udovitch, “At the Origins of the Western Commenda: Islam, Israel, Byzantium,” *Speculum* 37 (1962), 198 - 207 See also Eliyahu Ashtor, “Banking Instruments between the Muslim East and the Christian West,” *Journal of European Economic History* 1 (1972), 553 – 73.

¹⁵⁷ For more on *mudāraba*, see Chapter 4.

depositors refused to participate in the fund “out of religious conviction,” and adding that “some men in government, including the director of the Administration of the Posts” had asked the Mufti for his formal opinion on the religious permissibility of the earnings from the Savings Fund.¹⁵⁸ In response to ‘Abduh’s negative reaction, the Khedive convened a council of ‘*ulamā*’ in the royal palace, the *Qasr al-Qubba*, and “charged them to draft a *shar’i* interpretation for *ṣunduq al-tawfīr*, so that it would be religiously acceptable to the people.”¹⁵⁹ This challenge to ‘Abduh by the Khedive was met in stride: though nowhere do we have the details of the resulting plan, Rida later insisted that said plan was identical to his and ‘Abduh’s.¹⁶⁰ As can be seen from ‘Abduh’s arguably inconsistent rulings in this formative period, clarity regarding the role of Muslims in Western conventional banking was murky at best at the turn of the century.

From these few rulings we cannot gain a sense of a systematic framework from ‘Abduh on issues of banking and finance— it is quite unlikely that he thought of banking and finance in terms of overarching frameworks. It is clear instead that his primary concerns are social justice and, relatedly, the ethical implications of enriching oneself outside of the act of labor. This is of some significance. In his commentary on the second Sura of the Qur’an, ‘Abduh argues that money “is simply an indicator of the value (*qima*) of commodities.” If money itself becomes “the object (*maqṣud*) of the production of wealth” it will result in impoverishing the people by stripping it from the many and concentrating it in the hands of those who “limit their works to the exploitation of money

¹⁵⁸ *Al-Manar*, 6: 13 (1904), 717. See also Mallat, 71.

¹⁵⁹ See A. Chris Eccles, *Egypt, Islam, and Social Change: Al-Azhar in Conflict and Accommodation*. (Berlin: K Schwarz, 1984), 416, cited in Mallat, 71.

¹⁶⁰ See Mallat, *Islamic Law*, 71- 72.

by money.”¹⁶¹ He further expresses concern that focus on money for its own sake results in hoarding of money in “safes (*ṣanadiq*) and financial houses (*buyūt malīyya*) known as banks,” with the result that the capitalist earns profit off of the backs of the poor who derive little from their labor.¹⁶²

The above is remarkable because of how pithily it encapsulates successive debates on not only the Islamicity of Western conventional banking, but also the Islamicity of capitalism, socialism, and communism. Concerns over the ethics of finance—specifically regarding the ethics of earning profit from money itself rather than from labor or the sale of commodities—are the centerpiece of the conversation, and we will see them over and over again as we continue. Yet, as described, the context of the concern was one in which Western conventional banking and finance had already been introduced and, through colonialism, had made significant headway in dominating the functioning of markets.

This chapter has set the stage for the idea of an Islamic economics through a review of the rise of Western conventional finance in the Middle East and a discussion of what it displaced. Always perceived as a foreign phenomenon, Western conventional banking and its eclipse of the former Ottoman Islamic economic system typified the complicated relationship between colonizers and colonized from the outset. Already possessed of a vibrant intellectual tradition and centuries of functional socioeconomic religious culture exemplified through the *waqf* system, early Islamic thinkers applied their own systems of analysis to the question of the piety and adoptability of Western conventional finance.

¹⁶¹ Al-Manar (1906), 348, cited in Mallat, 72.

¹⁶² Ibid.

The responses of ‘Abduh and Riḍa to Western conventional banking are among the earliest on record, remembered largely because of Riḍa’s prolific literary output in his magazine, *Al-Manār* (published 1898 – 1917). They demonstrate some of the complexity and initial confusion regarding how to respond to this quintessentially foreign and colonially-inflected concept. Orthodox Islamic tradition had not developed a systematic, coherent jurisprudential framework on matters of finance and economics, relying instead upon a loose tradition in which individual cases were assessed off of general ethical standards and theological guidelines. Specific economic rules were few and centered around the broader ethos of social justice, involving the positive works of paying alms and taxes and providing for the poor, and the injunction against greed, theft, the nebulously-defined *ribā*, and the like. Yet, by the turn of the century, the new Western finance had eclipsed previous socioeconomic systems (such as the *waqfs*) even as colonizers carved out more and more control of Muslim lands. Soon, as we shall see in the next chapter, Western socioeconomic theories began to take hold of the imaginations of Arabs throughout the Middle East. Western conventional banking, and Western economics generally, required a response.

For Islamic finance to arise as a phenomenon, a more systematic framework of response to European would be required. This would require a deeper reach into questions of the Islamic relationship to economy. Such a system was to take shape in the mind of a man yet to be born halfway across the Empire, in a different center of learning.

Chapter Two: Intellectual Origins: Transnational Shiite Networks and the Political Economy of Faith, 1900 – 1950

In the late 1950s, the most intellectually ambitious call ever heard for an Islamic economics came from a cleric of a minority sect living in the far reaches of the former Ottoman Empire. Unlike his Sunni predecessors— all of whom had simply questioned the ethics of Western banking—Muhammad Baqir al-Sadr framed the call for Islamic economics as part of a bigger decolonizing intellectual project: what would the parameters of a truly functional modern Islamic society look like? How would the economy fit in this larger Islamic polity? His examination of this question took the form of a multi-book treatise,¹⁶³ examining the question of an Islamic state through a close philosophical and theological exploration: *Falsafatunā* (*Our Philosophy*, 1959) and *Iqtisādunā* (*Our Economics*, 1961).¹⁶⁴

¹⁶³ Al-Sadr had intended to write a trilogy, ending with *Mujtama'na* (*Our Society*). At the time of his death at the hands of Saddam Husayn's regime in 1980, no such manuscript had been discovered.

¹⁶⁴ Focusing on issues of finance and banking, he later developed a lengthy manual that described what, in practical terms, an interest-free banking system would look like: *al-Bank al-lā-ribawī fī-l-Islām* (*The Usury-Free Bank in Islam*), published in 1969. This manual is discussed in Chapter Four.

Al-Sadr's proposal was uniquely Shiite: a secularly-oriented early exercise in *ijtihād* (a process of rational investigation) from a man who would become one of the most famed Shiite leaders of the twentieth century. This chapter explains why a Shiite cleric would be particularly invested in this line of thought, presenting it as a logical outgrowth of transnational Shiite and intra-sectarian conversations happening throughout the region as the Ottoman Empire retreated further into memory, the European colonizers fell, and a vision of modern Islamic rule took hold.

This chapter follows the story begun in chapter one, tracing the intellectual development of the economic question in the Middle East along a second axis, focusing on 1) the transformation in Shiite education in the twentieth century; 2) transnational theological development in the form of a renewed movement for inter-sectarian rapprochement; and 3) the rise of a Shiite communist movement in the context of broader Iraqi interest in communism. It is through this exploration of a specific thinker and his community that the cultural influences and political economy that gave rise to Islamic economics is made legible. Following a brief biography of al-Sadr, this chapter seeks answers to the following: What led Muhammad Baqir al-Sadr, a Shiite *marja'*¹⁶⁵ in Najaf in the 1950s and 60s, to think deeply about a viable, practicable Islamic economics? In the now autonomous lands (Iraq) of a former empire that had been predominantly Hanafi, why would the most rigorous theological and practicable proposition for Islamic

¹⁶⁵ A *marja'* is a title indicating the highest level of Shiite religious authority. All *marja'*s are Grand Ayatollahs and considered sources on Islamic law second only to the Qur'an, prophets, and imams in Shi'ism. See, e.g., Robert Gleave, "Conceptions of Authority in Iraqi Shi'ism: Baqir al-Hakim, Ha'iri and Sistani on *Ijtihad*, *Taqlid* and *Marja'iyya*." *Theory, Culture & Society* 24:2 (2007), 59 – 78.

economics—a proposition that would be implemented by Sunnis and Shia alike by the end of the twentieth century—come from a Shiite? In order to answer these questions, the development of Islamic economics within this uniquely Shiite matrix is situated against and contextualized through a discussion of the regional rise of a truly pan-Islamic anti-colonial nationalist movement in the mid-twentieth century. Shiite minority status, Shiite intellectual systems, and transnational intellectual exchange were, I argue, transformed by simultaneous movements toward both Pan-Islam and intra-Islamic rapprochement (*tarqīb*) in the mid-twentieth century. Simultaneously, alarm grew in the halls of the ancient Shiite schools in Najaf and Karbalah as communism appeared on the brink of replacing colonialism in Iraq, even encroaching into their long-held enclaves. As Al-Azhar¹⁶⁶ sought for pan-Islamic unity in the face of continuing colonization, a Shiite movement foregoing quietism was emboldened, born of a firm theological identity and leading to a new sectarian approach to politics, statecraft, and, of course, economy.

Al-Sadr: A Short Biography

Most extant biographical accounts of al-Sadr were written post-mortem, and are often more elegiacal than strictly biographical. Scholarly interpretation of such writings, which are characterized by lofty language and ascribe unusually saintly qualities to al-Sadr, is doubly complicated by their relative scarcity; few accessible accounts of al-Sadr remain that were written by people who personally knew him during his lifetime.¹⁶⁷ Much

¹⁶⁶ Al-Azhar is the main Sunni theological institution, established during the Fatimid Empire in Cairo.

¹⁶⁷ See, e.g., Ghaleb Hasan Abu ‘Ammar, *Al-Shahīd al-Sadr Ra’ed Al-Thawra al-Islamiyya fil-Iraq* (Tehran, 1981); Hanna Batatu, “Iraq’s Underground Shī’a Movements:

of the source material on Al-Sadr's life and work is thus more properly classified as hagiographical, written in the stylized language of Shiite memorials. This leaves the literal truth of oft-cited Al-Sadr anecdotes somewhat open-ended; whether he did indeed write his first treatise, ostensibly on logic, at the age of eleven,¹⁶⁸ or have such a singular character that other students felt prompted to imitate his mannerisms,¹⁶⁹ is anyone's guess. Regardless, Al-Sadr's own prolific bibliography stands for itself as a significant contribution to Shiite and Western economic thought. The scarce source materials themselves, in addition, underscore the difficulty of obtaining information for research on Iraq after decades of repressive regimes and wars.

Following a brief biography of al-Sadr, this chapter explores the broader intellectual and cultural milieu in which he was raised. This not only provides context for his life and work, helping to fill in some of the pieces missing from biography, but also gives us a sense of both the reasons for his unique intellectual and theological preoccupations and of the reasons that they were considered relevant outside of his narrow clerical circle. A powerful voice in local (Najafi), nation-state (Iraq), transnational (Shiite), and regional (Middle East) political, religious, and intellectual thought, al-Sadr's economic beginnings and their broader relevance are introduced here.

Characteristics, Causes and Prospects," *Middle East Journal* 35:4 (Autumn, 1981), 578 – 581; Şā'ib 'Abd al-Ḥamīd, *al-Shahīd Muḥammad Bāqir al-Ṣadr: min fiqh al-aḥkām ilā fiqh al-naẓariyāt* (Bayrūt : Markaz al-Ḥaḍārah li-Tanmiyat al-Fikr al-Islāmī, 2008); Pierre Martin, "Une grande figure de l'islamisme en Irak" *Cahiers de l'Orient*, 8-9, (1987), 117 – 135; Chibli Mallat, *The Renewal of Islamic Law*. (Cambridge, 1993), 8-15.

¹⁶⁸ al-Ḥamīd, 5.

¹⁶⁹ Ibid, see also Abu 'Ammar, 15.

Al-Sadr was born 1 March 1935 in Kazimiyya, Iraq, to a well-known family of Shi'ite *'ulamā'*. His great-grandfather lived a life that inaugurated several generations of a peripatetic and deeply intellectual existence for the al-Sadr family, moving across imperial boundaries from Shi'ite center to Shi'ite center.¹⁷⁰ Sadr ad-Din al-'Amili (d. 1847) hailed from Ma'raka in Jabal Amil in Southern Lebanon and emigrated to study first to Isfahan and then to Najaf, where he died and was buried. Al-Sadr's grandfather Isma'il was born in Isfahan in 1842, and moved to Najaf and then to Samarra' (Iraq), where he became a leader in the local *hawza*. He died in Kazimiyya in 1919.¹⁷¹ Al-Sadr's father, Haydar, was born in Samarra' in 1891, and studied with the Ayatollah al-Ha'iri al-Yazdi in Karbala. Despite the al-Sadr illustrious family pedigree, intellectual lineage, and extensive family connections among the international Shi'a elite, the family lacked financial means, and Haydar passed away when Muhammad Baqir al-Sadr was only a toddler in 1937, leaving the family in penury.¹⁷²

This combination of transregional religious community connections and extreme poverty was formative in al-Sadr's life and, no doubt, eventually influenced his keen interest in the ethics of the relationship between religion and economics. He was raised and educated under the supervision of his maternal uncle and eventual father-in-law,

¹⁷⁰ The transnational nature of the al-Sadr family, and their intellectual and religious networks across empires, is representative of elite families in Shi'a religious networks generally, a topic which is being explored in greater detail in the academic literature in the last decade. See: Elvire Corboz, *Guardians of Shi'ism: sacred authority and transnational family networks* (Edinburgh University Press, 2016); Laurence Louër, *Transnational Shia politics: religious and political networks in the Gulf* (Columbia University Press, 2008).

¹⁷¹ Mallat, *Renewal*, 11.

¹⁷² *Ibid.*

Sheikh Murtaza al-Yasin, and his older brother Isma'il, and in 1945 moved with his family to Najaf, where he remained until his death.¹⁷³ His first published work, *Fadak fi al-Tarikh*, emerged in 1955 (when he was only twenty years old), a history of the oasis of Fadak—a locus of Shiite religio-historical identity—after the death of the early Islamic matriarch Fatima.¹⁷⁴ While always a devout and faithful man, al-Sadr's later work signaled a clear broadening from this early propensity toward narrowly Shi'ite theological matters and analysis.

Part of a rising generation of newly politicized Shiite clerics, by the late 1950s al-Sadr was deeply involved in Iraqi politics. Long associated with the Iraqi Islamic Call Party (*Hizb Al-Da'wa Al-Islamiyya*, founded 1957), the specifics of his relationship were always kept under careful wraps because of the dangers wrought by its criticism of the ruling Baath Party.¹⁷⁵ Always a proponent of religious foundations in statecraft, al-Sadr and his ideas of a theocratic government¹⁷⁶ came head-to-head with Saddam's Ba'athist

¹⁷³ Ibid, 15.

¹⁷⁴ Despite the specifically Shi'a focus of this early work, it is notable as a representation of al-Sadr's overall lifelong intellectual focus to situate Shi'ism historically and to find ways to make the transnational Shi'a an extension along an Islamic historical continuum. Al-Sadr's interest in historicizing Shi'ism alone renders him unique. See, e.g., Talib M. Aziz, "The Meaning Of History: A Study Of The Views Of Muḥammad Bāqir Al-Ṣadr" *Islamic Studies*, 31: 2 (Summer 1992), 117-140.

¹⁷⁵ See, e.g., Talib M. Aziz, "The Role of Muḥammad Bāqir Al-Ṣadr in Shii Political Activism in Iraq from 1958 to 1980," *International Journal of Middle East Studies* (2016), 4 -5. Members of the Da'wa stated that al-Sadr was its founder and the architect of its political goals and rationale.

¹⁷⁶ Although it far exceeds the scope of this project, it is important to note here that al-Sadr was an associate of Iranian revolutionary leader Ayatollah Ruhollah Khomeini. Al-

regime throughout the 1970s. By 1980, soon after the successful Iranian Islamic Revolution, Saddam came to consider al-Sadr and his anti-regime political activism too much of a threat. His Revolutionary Command Council pushed through legislation “sentencing all past and present members of the Da’wa party or its affiliated organizations, or people working for its goals, to death.”¹⁷⁷ In a particularly grisly murder, al-Sadr was kidnapped and forced to watch his own sister tortured to death before being killed by Saddam’s regime April 5, 1980.¹⁷⁸ He was only forty-five years old.

Al-Sadr’s family connections coupled with his intellectual gifts gave him unique access to people and positions of influence. The post-WWI British Mandatory government over Iraq had nominally ended in 1932, and Al-Sadr’s childhood years saw Iraq constantly embroiled in political intrigue and *coups d’état*—six from 1936 to 1941 alone. This perpetual instability stirred continuing popular political and religious debate, mirroring the broader Arab world after the collapse of the Ottoman Empire, regarding what form nationalism and the state should take; who should have power; and what role religion should play in governance and statecraft.¹⁷⁹ Ottoman, Arab, and Iraqi identities

Sadr scholar Chibli Mallat has argued persuasively that al-Sadr’s ideas about the nature of Islamic government directly inspired Khomeini. See Mallat, *Renewal*, Chapters 2 -3.

¹⁷⁷ Aziz, “The Role, ” 217.

¹⁷⁸ See, e.g., Sam Dagher, (December 28, 2008), “Ex-Hussein Officials and Others Go on Trial,” *The New York Times*.

¹⁷⁹ See the preceding chapter. For a comparative discussion of Iraqi nationalist imaginings versus other former Ottoman areas including Syria and Turkey, see Sami Zubaida, “The Fragments Imagine the Nation: The Case of Iraq.” *International Journal of Middle East Studies*, 34 (2002), 205–215.

competed with ethnic and confessional identities—Yazidi, Kurd, Shia, Sunni—and imported Western philosophical and governmental structures in this ideological battle. Strong popular distaste for the continuing British presence in Iraq was festering, becoming one of the sole political issues around which Iraqis could unify, leading to brief Iraqi support of the Axis powers, Britain’s enemies, during WWII (1941). Such self-interested global power plays would characterize much of the geopolitical strategy of most of the countries of the former Ottoman Empire throughout the Cold War. It was in this chaotic environment of political uncertainty and competing antithetical ideological allegiances that Al-Sadr gained his earliest sense of nation, religious devotion, homeland, and identity. Al-Sadr’s work, then, was written in the context of an Iraqi Shi’ite intellectual renaissance, and his response, detailed below, to the multiple competing ideologies of his time marks him as unique and reflects the growing twentieth century evolution of Shiite clerical political activism in the new reality of international nation-states.¹⁸⁰

As a young man in the late 1950s, still a student and not yet a formal member of the Shiite clerical establishment, Al-Sadr used family contacts to rise to prominence in a newly-formed (1958) Shiite activist group in Najaf, *Jamā’at al-‘ulamā’*, whose express goal

¹⁸⁰ Al-Sadr’s generation and the choice of his compatriots to reject political quietism—with its attendant mystical Shia implications—is commonly credited with giving rise to the Ayatollah Khomeini and other contemporary Shiite forms of Islamic political agitation. See Mallat, *Renewal*, Chapters 2 -3. On Iraqi Shiite clerical quietism, see, e.g., Rachel Kantz Feder, “Fatima's Revolutionary Image in ‘Fadak fi al-Tarikh’ (1955): The Inception of Muhammad Baqir al-Sadr's Activism.” *British Journal of Middle Eastern Studies*, 41:1. (2014), 79-96, 92

was to counter antireligious—and specifically communist—influence in society.¹⁸¹ This was a rising concern among Iraqi Shiites, as will be shown. Through his father-in-law *Sheikh* Murtaza Al-Yasin and older brother Isma'il Al-Sadr, Baqir Al-Sadr was able to regularly write and publish leaflets against communism and socialism, even briefly writing weekly anti-communist radio addresses that were broadcast on government radio through the permission of the Qasim regime.¹⁸² By the late 1950s—the time at which he wrote the formative texts of Islamic finance—he had not yet reached *marja'* status, though he was already well-known and widely respected.

The Shrine Cities: Najaf and Educational Reform

Alongside the broader national (secular) Iraqi school system, the Shiite educational system transformed dramatically throughout the course of the twentieth century, having a direct effect on the kinds of information that al-Sadr and his cohort could access. As such, a brief introduction to Shiite education is included here.

Iran and the Persian world have long been the locus and symbol of Shiite identity, often eclipsing the Arab Shiite world. Yet, from at least as early as the seventeenth until the early twentieth centuries, the shrine cities of Iraq were the center of the Shiism intellectually and spiritually for people of all ethnic and regional backgrounds.

Muhammad Baqir al-Sadr was educated in Najaf, one of the two holy shrine cities (*al-Ātabāt al-muqaddasa*, literally “the holy doorsteps”) alongside neighboring Karbala in

¹⁸¹ See Mallat, 16- 17.

¹⁸² See T. M. Aziz. “The Role of Muhammad Baqir al-Sadr in Shii Political Activism in Iraq from 1958 to 1980.” *International Journal of Middle East Studies* 25: 2 (May 1993), 208 – 209.

southern Iraq. Najaf of the 1940s and 1950s provided his formative intellectual experiences, in a time and place when Shiite education—and Iraq itself—was in a state of intense self-interrogation and transformation.

The Shiite educational institutions in the shrine cities, called the *ḥawzāt ʿilmiyya* (communities¹⁸³ of learning), had become the most significant intellectual centers of the Shiite world by at least the early nineteenth century. As centers of Islamic learning, the *ḥawzāt* possessed unique attributes relative to their Sunni counterparts. First, Shiite theology subscribed to a jurisprudential practice, *ijtihād*, that had fallen out of fashion by the eighteenth century among Sunnis.¹⁸⁴ Usually loosely translated as “independent reasoning,” *ijtihād* is a Muslim theological concept defined as “the process by which a jurist or Islamic legal scholar formulates a judgment about an issue for which there is no

¹⁸³ Though often translated in this manner, *ḥawza* literally means “‘property,’ ‘possession,’ ‘area,’ or ‘territory’ and conveys a sense of sanctity, particularly connoting the preservation of tradition from outside attack.” See Devin J. Stewart, “Portrayal of an Academic Rivalry: Najaf and Qum in the Writings and Speeches of Khomeini, 1964-78.” In Linda S. Walbridge, ed. *The Most Learned of the Shi‘a*. (Oxford University Press: 2001), 221.

¹⁸⁴ By the eighteenth century the idea that *ijtihād* was a Shiite practice, long abandoned by Sunnis, was commonly held among jurists. This was, in part, due to the severe restrictions placed on the practice in the Sunni orthodox schools. By the eleventh century, as Wael Hallaq notes, there are many discussions among Sunni scholars about whether *mujtahids* exist. See Hallaq, “On the Origins of the Controversy about the Existence of Mujtahids and the Gate of Ijtihad.” *Studia Islamica*, 63 (1986), 136-37. The frequent calls from Islamic modernists Muhammad ‘Abduh and Rashid Riḍa for a broadened practice of *ijtihād* further demonstrate that it had become a limited endeavor among the Sunni majority in the modern period, unlike their Shiite counterparts.

clear precedent in the Qur'an or *sunna*.”¹⁸⁵ It is, in essence, a way of determining the

Divine will through extensive informed research and reasoning. Hashim Kamali explains:

ijtihād is defined as the total of the effort expended by the jurist in order to deduce, with a good degree of probability, the rules of the *shari'a* on the basis of the detailed guidance found in the sources. Some 'ulamā' have defined *ijtihād* as the jurist's use of all his faculties either to deduce the rules of *sharia* from their sources, or to put them into practice and apply them to specific questions. *Ijtihād* essentially consists in a deduction (*istinbāt*) which represents a probability (*zann*), and so does not include the extraction of a rule from an explicit text.¹⁸⁶

¹⁸⁵ The Muslim belief that the life, teachings, and example of the Prophet Muhammad constitute the final and complete model upon which people should shape their lives, serves as precursor to the religious concept that innovation of any kind, or *bid'a*, is tantamount to apostasy. For the pious Muslim, daily life must be rooted in the example of the life of the Prophet. This has led to a jurisprudential tradition who look to texts describing the life and behaviors of the Prophet and his companions as the model for pious life. It is for these reasons that so many Muslim writers have continued to return to sacred theological tradition and history in order to establish a specifically Muslim authenticity or permissibility for modern and imported political and philosophical institutions.

¹⁸⁶ Muhammad Hasham Kamali, *Principles of Islamic Jurisprudence*, no publication information, 366. Cited in Tariq Ramadan, “Ijtihād and Maslaha: The Foundations of Governance,” in *Islamic Democratic Discourse*, ed. M.A. Muqtedar Khan (Lanham: Lexington Books, 2006), 10. A person who practices *ijtihād* is called a *mujtahid*. In both the Sunni and Shii traditions, a *mujtahid* was historically expected to be a righteous, pious scholar who was well acquainted with Arabic, his respective jurisprudential traditions (Sunni or Shiite), the foundational texts of Islam, and the relevant issues of his day. (Male pronouns are used intentionally here; there had been very few *mujtahidas* throughout Islamic history, though more have come from the Shiite tradition than the Sunni tradition.) During the early centuries of Islam the practice of *ijtihād* by learned *mujtahids* was a well-known practice. See, e.g., Tariq Ramadan, “Ijtihād and Maslaha: The

Since *ijtihād* was contested, Sunni clerics sought other means of determining right conduct.¹⁸⁷ Shiites, on the other hand, continued in the belief that individuals could attain the level of knowledge and training necessary to derive Islamic law through reasoning. Unlike Sunnis, they had a longstanding and robust tradition of practitioners of *ijtihād*, or *mujtahids*, leading to an evolving theology and an intellectual culture that allowed for flexibility in the embrace of modernity while simultaneously prizing the close parsing of new intellectual currents.

Foundations of Governance,” in *Islamic Democratic Discourse*, ed. M.A. Muqtedar Khan (Lanham: Lexington Books, 2006), 14

¹⁸⁷ These include the concept of *ijmāʿ* (consensus), which arose from a famous *hadith* attributed to the Prophet Muhammad: “My community will never agree upon an error.” The interpretation and application of *ijmāʿ* remain a matter of debate, hinging largely around the issue of how “community” is defined. Some argue that this refers to the entire community of Muslims and that, for example, this statement is thereby a clear precedent for Muslim democracy. Historically, however, the term “community” has more often been limited to the community of legal scholars associated with the schools of jurisprudence, or *ʿulamāʿ* (learned ones, singular *ʿālim*). It should be noted that there is no formal hierarchy of religious or what we may call “scholastic” authority within Sunni Islam; thus someone was an *ʿālim* largely because he (all uses of the male pronoun are deliberate and conscious in this section) both claimed to be one and was recognized as one by others. Furthermore, the “schools” (*madhāhib*) are not formal educational institutions as such. They may be more clearly conceptualized as “schools of thought.” See, e.g., Bernard Weiss, *The Spirit of Islamic Law* (Athens, Georgia: University of Georgia Press, 1998), 123.

The Shiite approach to *ijtihād* shaped a system of learning and certification in the *hawzāt* that was distinct from Sunni counterparts.¹⁸⁸ The curriculum in the *hawzāt* in the ‘Atabāt was constructed around the charismatic leadership of individual *mujtahids*. This led to a structure, preserved from the medieval period, in which the curriculum -- such as it existed at all -- was passed down by tradition and custom as opposed to being developed through a formal decision-making body.¹⁸⁹ Students were allowed to choose their own topics of study and length of study, with essentially no formal institutional oversight. The *mujtahids* themselves were the central and defining focus of the

¹⁸⁸ Nevertheless, these systems were not entirely different; the *hawzāt* were modeled on the Sunni *madrasa* system in terms of “the mode of teaching, the process of professionalization and the centrality of patronage as a social bond.” Litvak, Meir. “Madrasa and Learning in Nineteenth-Century Najaf and Karbalā’.” In Ende, Werner and Rainer Brunner, eds. *The Twelver Shia in Modern Times: Religious Culture & Political Culture* (Leiden, Brill: 2001), 58.

¹⁸⁹ The origins of the curriculum of the ‘Atabāt are a matter of historical debate. What is known is that, by the eighteenth century, a three-staged Shii curriculum had been implemented. Like their Sunni counterparts, by whom they were heavily influenced, Shiis taught subjects divided into two broad categories: “transmitted sciences” (*‘ulūm naqliyya*) and “rational sciences” (*‘ulūm ‘aqliyya*). The specifically Shii element of their curriculum was centered upon jurisprudence (*fiqh*). Of the three uniquely Shii stages, first came the preliminaries, in which students were taught Arabic grammar and introduced to the jurisprudential traditions. The second stage, *sutuh*, continued with the study of *uṣūl al-fiqh* (principles of jurisprudence). The final stage was the *dars al-kharīj* (from *dars kharīj al-kitaab*, a reference to the lack of specific book chosen for study). Students were allowed to study under senior *mujtahids* on “topics in *uṣūl al-fiqh* of their own choice,” with the end goal of elevating the disciple to the status of *mujtahid*. See Litvak, 60.

community—it was they who received funding, not the institutions; individual students were “disciples of specific *mujtahid*, and not of the madrasa” in and of itself.¹⁹⁰

Education in the *hawzāt* was further characterized by a heavy emphasis on oral recitation and memorization, and students were encouraged to engage in debate as a demonstration of intellectual prowess and breadth of learning. Because of the Shii emphasis on *ijtihād*, these debates held greater prominence than in Sunni schools; independent thought was esteemed over rote memorization of *fiqh*. Students were allowed to challenge their teachers’ ideas—though not their status or achievements—and these disputes, often public, established informal social (and religious) hierarchies.¹⁹¹

Finally, though Sunni theology was not the focus of the Shiite curriculum, Shii scholars of the nineteenth century were often well-informed of Sunni teachings, itself “a common phenomenon among minorities, who perceive themselves as waging an ideological struggle against the dominant and oppressive majority.”¹⁹² This tradition of charismatic leadership, theological flexibility, and acute awareness of the intellectual currents of the outside world, were each to have profound impact on Muhammad Baqir al-Sadr’s cohort in the *hawzāt*, as we shall see.

Educational Transformation, the *Nahḍa* and the Shii Transnational

Unlike the Sunni traditional schools, by the twentieth century Shiite schools were bastions of modern, reformist thought as much as traditional centers. In addition, Shiites

¹⁹⁰ See Litvak, 58.

¹⁹¹ *Ibid.*

¹⁹² *Ibid.* 64

were deeply attuned to surrounding ideas, not only of their co-religionists abroad, but of their fellow countrymen. Michelle Browers explains:

While we should not be surprised to find such similar developments among Sunni and Shii intellectuals in Arab contexts, it is somewhat surprising to find [modern and reformist] ideas developing within the traditional religious institution of the *ḥawza* (the Ikhwan did not develop out of al-Azhar, for example)¹⁹³. [...] English language scholarship on modern Arab political thought gives less attention to these parallels than those Shii individuals who express them in their attempt to forge movements aimed at reform, modernization, and revolution. [...] These were not isolated individuals, working on the margins of Arab political thought. Rather, these individuals were aware of, familiar with, and fully engaged in, debates taking place in intellectual circles outside the *ḥawza*.¹⁹⁴

As a minority sect concentrated in several far-flung urban hubs, Shiites developed strong transnational networks of intellectual and cultural exchange. Iraqi Shiites in the shrine cities experienced the *nahḍa*, or Arab intellectual renaissance, alongside their Sunni and Christian Arab counterparts in Lebanon and Cairo. At the turn of the twentieth century “students and *ʿulamā* in the shrine cities were not unfamiliar with ideas of patriotism toward one’s country (*waṭan*) as distinguished from the Muslim believer’s responsibility toward the Islamic nation (*umma*), the importance of Shi’i-Sunni unity in the face of European expansion, and the need to revive Islam and reconcile it with modernity.”¹⁹⁵

Shiite students in the shrine cities encountered these ideas by reading the works of Islamic

¹⁹³ “The Ikhwan” here is a reference to *al-Ikhwān al-Muslimūn*, or the Muslim Brotherhood.

¹⁹⁴ Michaëlle Browers, “Najaf And The (Re) Birth Of Arab Shi’i Political Thought.” In Jordi Tejel, Peter Sluglett, Riccardo Bocco, and Hamit Bozarslan, eds. *Writing the Modern History of Iraq: Historiographical and Political Challenges* (2012), 322-323.

¹⁹⁵ Nakash, Yitzhak. *The Shiis of Iraq*. (Princeton: Princeton University Press, 2003)

modernists, including Rāfi‘ al-Ṭaḥṭāwī, Jamāl Al-Dīn Al-Afghani, Muḥammad ‘Abduh, and Muḥammad Rashīd Riḍā. Significantly, these concepts “developed a life of their own [in the shrine cities] as students and *‘ulamā* received them with little or no regard to their authors.”¹⁹⁶ Islam broadly conceived—rather than its sectarian differences—was a powerful unifier as clerics confronted modernity. Still, Shiite publications that explored these ideas did not begin to appear until after the Young Turk Constitutional Revolution of 1908 and the lifting of the Ottoman ban on such publications and political associations.¹⁹⁷ This lack of concern for sectarian difference was significant, as we shall see later in this chapter.

The Young Turk Revolution transformed Iraqi public education and the Iraqi public sphere. Secular education was introduced throughout Iraq, in both Sunni and Shiī areas. By 1909 two public schools had opened in Najaf, *al-Madrasah al-‘Alawīya* and *al-Madrasah al-Murtadawīya*, both of them supported by influential Shiite clerics,¹⁹⁸ and both teaching mathematics, English and French as part of the curriculum.¹⁹⁹ At the same time, the literary life of the city expanded, with journals imported from Turkey, Iran, Egypt, and India. As early as 1911, an estimated fifty to one hundred journals arrived in Najaf’s libraries every week, including the major Arabic *nahḍawi* publications *al-Manār*, *al-*

¹⁹⁶ Nakash, 50.

¹⁹⁷ Ibid. Nakash emphasizes that Arab Shiites were more influenced by the Young Turk Revolution than the Iranian Constitutional Revolution, the latter being perceived by Najafis as a largely internal Persian affair.

¹⁹⁸ Such as Kazim Khursani.

¹⁹⁹ See Nakash, 52.

Muqattam, *al-Muqtataf*, *al-Hilal*, *al-Muqtabas*, and the Persian journal *al-Habl al-Matin*.²⁰⁰ Soon Najaf founded its own Arabic magazine, *al-ʿIlm* – the first Shiite Arabic magazine published from Iraq, and only the second Shiite Arabic magazine of its kind after *al-ʿIrḡān*, which was published out of Sidon, Lebanon.²⁰¹ By the 1920s, the major periodicals *Al-Hilāl*, *Al-Thaqāfah*, *Al-Risālah*, *Al-ʿUsūr* and *Al-Siyāsah Al-Uṣbūʿiyah* were available in the Najafi book market, in addition to the works of transformative twentieth-century luminaries such as Ṭāhā Ḥusayn.²⁰²

But educational reform was not a limited or specifically Iraqi national issue, though it was both of these.²⁰³ It was an extension of the broader issues faced by Shiites since the (largely Sunni) *nahḍa* and the rise of Islamic modernism. As centers of the Shiite world, Najaf and Karbala were the intellectual training ground and literal crossroads of Shiis from throughout the former Ottoman and Qajar Empires. Educational reform, and the implications of what it would mean for Shiite identity in a world of changing politics, was truly transnational.

²⁰⁰ See Nakash, 53. See also ‘Abd al-Halīm al-Rahīmi, *Tarīkh al-haraka al-islamīyya fi al-ʿiraq: al-judhur al-fikrīyya wa al-waqiʿ al-tarīkhī, 1900 – 1924* (Beirut, 1985), 119.

²⁰¹ See Nakash, 53. *Al-ʿIrḡān* (“knowledge,” “mysticism,” “gnosis”) is a Shiite periodical published from Sidon, Lebanon, founded in Beirut in 1909. Though it was modeled on other *nahḍa*-era publications like *al-Muqtataf*, and *al-Hilal*, it was intended to be a space of intellectual debate and exchange between prominent Shiite thinkers.

²⁰² Yoav Di-Capua, “Homeward Bound: Ḥusayn Muruwah’s Integrative Quest for Authenticity,” *Journal of Arabic Literature* 44 (2013), 28. Di-Capua notes that Muruwah describes these modern *nahḍawi* publications as “forbidden” to him and his colleagues, all students in Najaf in the late 1920s. By al-Sadr’s time such strictures had been abandoned.

²⁰³ For more on Iraqi educational reform, see, e.g., Matta Akrawi, *Curriculum Construction in the Public Primary Schools of Iraq* (New York: Columbia University Press, 1942).

In an important paper, Sabrina Mervin traces the transnational beginnings of the movement for educational reform in the shrine cities through an examination of the clerical movement in Jabal ‘Amil, a small Shiite enclave in Lebanon. Beginning in 1909, the first critique of the Najaf system of higher education appeared in *al-‘Irfān*, the aforementioned Shiite magazine edited and published in Sidon, Lebanon.²⁰⁴ The initials of Sadr al-Din al-Sadr—Muhammad Baqir al-Sadr’s paternal uncle—accompany the article, titled “*Nazra fī al-madāris al-dīniyya*” (“A Consideration of the Religious Schools”).²⁰⁵ In it the elder al-Sadr criticizes the lack of formalization and regularization in the curriculum of the shrine schools. He further decries the culture of competition between *mujtahids* vying for *marja’* status, indicating the depth of his critique of the overall system.²⁰⁶

From then on, advocacy for educational reform continued to bubble up in Shiite publications, much of it written by Lebanese clerics who had been educated in Iraq and had an investment in returning to Lebanon as part of the movement to revive Shii education there.²⁰⁷ By the 1920s, two such clerics mounted a systematic critique of the religious education of the shrine cities: Muhsin Al-Amīn (1867 – 1952) and Muḥsin Sharāra (1901 – 1946). Al-Amīn argued that the traditional freedom of the students to

²⁰⁴ Sabrina Mervin. “The Clerics of Jabal ‘Āmil.” In Ende, Werner and Rainer Brunner, eds. *The Twelver Shia in Modern Times: Religious Culture & Political Culture* (Leiden, Brill: 2001), 80.

²⁰⁵ In *al-‘Irfān*, 1:2 (1909), 587 – 591. Mervin emphasizes that Sadr al-Din al-Sadr (1882 – 1953) “regularly sent articles to *al-‘Irfān* from Karbalā’, where he resided.” See Mervin, 80.

²⁰⁶ *Ibid.*

²⁰⁷ This movement began from Jabal ‘Āmil in the 1880s. See Mervin, 80.

choose their own professors, subjects, schedule, and level of courses created disarray (*ḥawḍa*).²⁰⁸ Arguing for greater curricular regulation, he focused on a change in student manuals. This call, far from inciting controversy, was largely ignored.²⁰⁹

Sharāra, a much younger cleric, was one of several children of prominent families of Jabal ‘Amil who were studying in Najaf. Like the previous thinkers, he publicly supported altering the curriculum, personally studying English and mathematics alongside the traditional Shiite course of study. In 1925 he and several fellow students joined with some Iraqis to form an association, *al-Shabība al-‘āmiyya al-najafīyya* (‘Āmilī – Najafī Youth) that called for an embrace of modernity and the inclusion of new literature in the curriculum.²¹⁰ Of significance, as we shall see, several of these men would later “remove the turban,” becoming avowed communists.²¹¹

In 1928, Sharāra published three articles in *al-‘Irfān*, calling for a Shiite Muhammad ‘Abduh to come transform the Najafī educational system.²¹² This overhaul

²⁰⁸ Ibid. 81.

²⁰⁹ Ibid.

²¹⁰ Among the members of the group were ‘Alī al-Zayn, Hāshim al-Amīn, Muḥammad Sharāra, and the Iraqis Abd al-Razzāq Muḥyī al-Dīn, Ṣāliḥ al-Ja‘farī Āl Kāshif al-Ghiṭā’, and Muḥammad Ṣāliḥ Baḥr al-‘Ulūm, all men of later prominence in Iraqi history.

²¹¹ Ibid. See also Mervin, *Un reformisme chiite*, chapter V.

²¹² *al-‘Irfān* 16:1 (August 1928), 95 – 100; 16:2 (September 1928), 201 – 207, and 16:3 (October 1928), 331 – 337. His call was explicit and controversial, seeking educational reform in line with what had been done at al-Azhar under the direction of ‘Abduh, quoting a (then decades-old) 1905 article from the Egyptian journal *al-Muqtataf* in full under the subheading “Our Religious Schools: al-Azhar and Najaf.” *al-‘Irfān* 16:1 (August 1928), 95 – 100. The *al-Muqtataf* article originally appeared in September 1905, entitled “*Iṣlāḥ al-Azhar*,” quoted in pages 98 – 100.

was to include “modern sciences like sociology, psychology, foreign languages, and the comparative study of religion.”²¹³ His call led to a significant public debate among clerics in the pages of *al-ʿIrfān*. Yet only ten years later ‘Alī al-Zayn issued a comparable call for reform—a call for full reorganization of the curriculum, the religious institution, and the surrounding cultural life of Najaf with the express goal of mirroring Al-Azhar—and this call met with minimal outcry.²¹⁴ Through transnational networks, dialogue and intellectual exchange led to the acceptability of educational change.²¹⁵ And, as noted later in the chapter, the idea of modeling that change on a Sunni reformist template was given greater credence and support.

²¹³ Mervin, 82.

²¹⁴ The comparison between these two thinkers was suggested in Mervin, 82. See Al-Zayn, “*Bawādir al-iṣlah fī jāmi‘at al-Najaf aw nahdat Kāshif al-Ghīṭa*,” *al-ʿIrfān*, 29/2 (April 1939), 179 - 185. Of note, al-Zayn also calls for scholarly visits and communication between the two universities with the ultimate goal of unifying their curricula. He further suggests a concession from Al-Azhar of re-opening the gates of *ijtihād*. This indicates that, at least among Shiis, the notion that Sunnis were no longer practicing *ijtihād* was accepted as a given.

²¹⁵ For native Iraqis, the question of Shiite education was part and parcel of the broader transformations of Iraqi society in the 1930s. Formal political independence and the establishment of the Iraqi monarchy in 1932 brought the urgency of the Shiite question into sharp relief: what role would this minority play in the new nation-state? As centers of intellectual development and exchange, the shrine cities rapidly became the locus of debates about the Shiite role in politics, and of the role of the *hawzāt* in shaping the rising generation of Shia. Within Najaf, a split occurred between the old guard who wished to preserve the existing tradition unchanged, and the radical modernists who “sought to completely detach present-day life from the past.” Mervin, 82.

By the late 1940s, when Muhammad Baqir al-Sadr had become a student in Najaf, sustained critique of the educational institutions had given way to an acceptance of Western subjects, enabling him to study Western thought side-by-side with the more traditional Shiite curriculum.

Thus Muhammad Baqir al-Sadr's calls for a Shiite Islamic modernism in the form of Islamic economics were part of broader intellectual trend within Arab Shiism of his day centered in Najaf. Educational transformation—the ability for Shiite *'ulamā'* to gain a systematic education in Islamic and Western intellectual traditions—coupled with the influx of *nahdawī* publications, led to Shiite proposals of an Islamic reformation, though they germinated for several decades before Shiite Islamic modernism came to full fruition. True Shiite Islamic reform came late. Mervin has argued that “until 1950 and the publication of *al-'Aqa'id al-imamīyya* (*The Imami Articles of Faith*) in Najaf by the Iraqi reformist Muhammad Riḍa al-Muzaffar (d. 1963), no Shii writer had attempted to compose a systematic modernist vision of theology similar to Muhammad 'Abduh's *Treatise on Divine Unity* (*Risālat al-tawhīd*).”²¹⁶

²¹⁶ Fuchs clarifies that “earlier reformist projects advanced by Muhsīn al-Amīn and other clerics stemming from Jabal 'Amil in South Lebanon were, in Mervin's eyes, only ad-hoc patchwork. Yet, even these limited approaches remained intimately tied to Lebanon. Unconventional ideas spread among Shiis along the Mediterranean coast but not in Iraq or Iran due to a combination of such diverse causes as the direct experience of the Ottoman *Tanzimat*, the influence of the Persian Constitutionalist Movement, the boom of printing houses in Lebanon as well as the immediate clash with Europe as manifested by the French mandate and, later, the necessity to integrate the Shī'i community into ‘un petit État-mosaïque.’” Sabrina Mervin, *Un réformisme chiite: Ulémas et lettrés du Ğabal 'Āmil, actuel Liban-Sud, de la fin de l'Empire ottoman à l'indépendance du Liban* (Paris: Karthala, 2000), 197; 127-141. In Simon Wolfgang Fuchs, “Failing Transnationally: Local intersections of

This question of a Shiite Islamic modernism altered the fabric of twentieth-century Shiism, as members of the Shiite elite explored questions of science, medicine, political philosophy including communism, and other kinds of philosophy (existentialism). In doing so, members of the Shiite clerical establishment did not perceive themselves as heretical, though they were sometimes accused of being so by co-religionists. Instead, they perceived themselves as active participants in a system in which all truth emanated from God; as seekers of a divine truth with a divine mandate to explore, understand, and apply the new information and philosophies that came their way.²¹⁷

Financing the *Hawzāt*

Transnational networks were not the only agents of change in Najaf. The rise of nation-states brought with them real and unintended practical changes in the lived experience of the clerics who lived there. Because they were Shii centers in a predominantly Sunni area, the shrine cities were traditionally financially independent of the state, not “enjoy[ing] government patronage from the Ottomans and Qajars, a fact which had an important impact on their internal organization and financial foundations.” As such, “unlike many other centers of Islamic learning during the nineteenth century, the *hawzāt* in the ‘Atabāt were not subject to governmental pressures to reform and

science, medicine, and sectarianism in modernist Shii writings,” *Modern Asian Studies*, Vol. 48, Special Issue 2 (March 2014), 435-36.

²¹⁷ See, e.g., Fuchs.

remained largely immune to the growing western challenge in the region effecting their internal life.”²¹⁸

Throughout the process of educational change, the question of how to properly finance the *hawzāt* lingered. Although Shiites had a lengthy tradition of *waqf* endowments comparable to that of the Sunnis, the shrine cities had traditionally retained intellectual autonomy by keeping their financing separate from political institutions.²¹⁹ The political independence of the ‘Atabāt meant that they were not supported by *waqfs*, a matter of increasing significance as *waqfs* were expropriated and diluted of power region-wide, including in Iraq, by different nation-state governments throughout the twentieth century.

Financial support instead came from the donations of believers.²²⁰ By the early twentieth century, the shrine cities were largely supported by bequests and contributions

²¹⁸ The reciprocal relationship between ruling and religious elites, a staple of, for example, Ottoman-Azharite relations, was absent in Najaf and Karbalā. Financially independent, the *hawzāt* in the ‘Atabāt did not develop a mutually supportive relationship with political elites; they gained neither legitimacy nor “juridical manpower” from rulers, and - also unlike many of their Sunni institutional counterparts - they did not serve “as an arena for stipendiary posts in which notables exploited knowledge as a form of capital in order to acquire social and political distinction.” Instead, they were truly bottom-up institutions, “first and foremost centers for teachings and scholarship” that “grew from below by the efforts of the *‘ulamā’* themselves.” Litvak, “Madrasa,” 59.

²¹⁹ See Faleh A. Jabbar, 150; Nakash, 205.

²²⁰ As Litvak emphasizes, the ‘Atabāt “lacked a formal and centralized organization of religious hierarchy regarding the curriculum of studies, finance, or administration, [unlike] the Ottoman learned establishment.” Instead, personal patronage, scholarship, and charisma were factors influencing the *hawzāt* in the ‘Atabāt; they were characterized by a focus on genuine meritocracy and “an openness to newcomers.” The financial

from throughout the Shiite world. Just as the educational system was centered upon the personality of *mujtahids* who took student disciples (as opposed to institutions from which students matriculated), donations were made to individual *mujtahids* and not to the *hawzāt* as institutions. These donations often came from Shiite rulers, pilgrims, and ‘*ulamā*’.²²¹ Foreign donors, particularly from India and Iran, were among the most generous²²² and by the nineteenth century the shrine cities had developed an economy that revolved entirely around donations to powerful *mujtahids* and payments for on-site religious services, including charities²²³, payments for religious services, and income from

independence of the shrine cities had “significant ramifications [for] many other aspects of life ranging from the structure of leadership to relations between teachers and students.” “Madrassa,” 59.

²²¹ See Nakash, 205.

²²² A 1918 British report estimated that donations to Najaf from Iran alone could, if administered properly, produce an annual income close to one million pounds. See Nakash, 205.

²²³ Traditionally, *mujtahids* in the shrine cities had been paid through a variety of religious payments separate from the standard Muslim religious duty of charity (*zakat*), including, among others, the *khums* (from “fifth), traditionally “half of a fifth” of a pious Shiite’s net income. These religious payments included several types. Under the first type there were two obligatory payments, the *saḥm al-imam* (“share of the imam”), or “half of a fifth (*khums*) of a believer’s net income”; and the *radd al-mazalim*, a fee for “absolution payment for oppressive wrongdoing,” which included “the acceptance of government employment, which for a strict Shii was unlawful.” Under the second type, there were three types of voluntary charity, including *haqq al-wasiya*, or one-third of the heritable property of a deceased believer; *sawm wa-salat*, a fee paid to observe prayers and fasting for deceased Shia; and finally money “vowed to leading mujtahids in return for recovery from sickness or extrication from danger.” Finally, there were donations directly to the shrines themselves. See Nakash, 206. For a detailed description of traditional Shiite charitable

pilgrimage and rites relating to the dead.²²⁴ These donations “also fostered structures of patronage, affected the position of the supreme *mujtahid*, and enhanced the power of the *mujtahids* vis-à-vis the Iranian and Ottoman governments.”²²⁵ Powerful *mujtahids* were thus the de facto rulers of the cities, and the local economy—including the *hawzāt*—relied on their charisma and religious standing for their support.

Twentieth century Iraqi independence and the rise of the modern system of nation-states undercut the balance of this economic system. Jabal ‘Amil became part of the Lebanese state, increasingly embroiled in its own local politics. Qajar Iran gave way to the modern Iranian state, and with the shifting borders came shifts in identity, ethnic and national, and attendant focus on local, intra-nation state investment and donations. More local opportunities for education in Lebanon as well as a broad shift in educational structure region-wide further altered the stability of finance. No longer directly in contact with transnational Shiite flows of people and patronage, the shrine cities struggled to offset their revenue stream losses with donations from within Iraq. Najaf and Karbala were never able to recover fully financially from the Ottoman collapse and the rise of nation-states, a fact that had far-reaching influence upon the thinking and lived experience of Shiite *mujtahids*, including Muhammad Baqir al-Sadr, in the following decades.

The presence of the independent ‘Atabāt in southern Iraq had long been a matter of concern for political elites, first for the Sunni Ottoman government, and later for the

taxation, see also chapter seven, “Sacred Money,” in Faleh A. Jabar’s *The Shiite Movement in Iraq* (London: Saqi, 2003), 146 – 153.

²²⁴ Nakash, 206.

²²⁵ Ibid.

Sunni Iraqi monarchy out of Baghdad. Perceived as a possible fifth column because of their religious status, wealth, and political independence, the leaders of the *ḥawzāt* were treated with distrust. Rather than seeking alliances, the Ottomans and later the Iraqi monarchy had acted to weaken and limit their power and influence.²²⁶ Over time, local Iraqi governmental interference from the British and decisions from abroad from the Iranians led to a dramatic decline in *khums*, a form of tithe, flowing into the pockets of the shrine city *mujtahids*, each a result of changing political borders and growing nation states. For example, upon coming to power in Iran, Reza Shah (ruled 1925-1941) sought to bolster Shiite communities within his own borders, immediately implementing a policy that diverted Iranian charitable funds from the shrine cities to the Iranian city of Mashhad. The effects were felt in Najaf and Karbala almost immediately.²²⁷ Thus the modern nation state posed a serious existential challenge to long-established Shiite tradition.

But a drop in transnational patronage was not the only reason that the economy of the *ḥawza* in Najaf took a downturn in the early decades of the twentieth century. Unlike urban educational centers in Iran, the Shii clerical class of the Iraqi shrine cities was not economically well integrated with the mercantile class. Whereas bazaar merchants in Iranian cities often received a religious education and were socially (and

²²⁶ This was in part due to the significant conversion of Sunnis to Shi'ism in the nineteenth and early twentieth century, a conversion that alarmed the Ottomans and flummoxed the British. Such a conversion was largely unprecedented, and reasons for it remain a subject of mystery in the literature. See Meir Litvak, *Shi'i Scholars of Nineteenth-Century Iraq: The 'Ulamā' of Najaf and Karbala'* (Cambridge: Cambridge University Press, 2002).

²²⁷ See Nakash, 206.

economically) rewarded for demonstrations of piety, creating a close and mutually supportive network of ‘*ulamā*’ and merchant class, no such thing existed in Najaf.²²⁸ The mutual economic integration that could have buttressed and fortified the city during moments of economic downturn had never developed between the *ḥawza* and the surrounding Najafi marketplace. This was in large part because, particularly in Baghdad and surrounding areas, the merchant class was predominantly comprised of Iraqi Arab Jews.²²⁹ By the time of the Iraqi Jewish exodus in the 1940s and 1950s, few Shiites had operated in the bazaar. The concerns wrought by poverty— a result of dramatic systemic change in previously well-established forms of financing the shrine cities— were not mere abstractions, but the lived reality of Shiite hierarchy.

While the financial well being of the ‘Atabāt was in question, the transnational networks of intellectual exchange that had existed for centuries did not die out. Shiism was in the midst of its own *nahḍa*, with significant modern ideas circulating throughout the Shiite world in the form of peripatetic thinkers and clerics.

In this way the educational debates and transformations in the shrine cities were the intellectual heart and staging ground of much broader changes in the Shiite world, each wrought by the *nahḍa* and the winding down of colonial influence region-wide. Throughout the interwar years as the British and French began to draw back, the rising generation of Shiites responded to the influx of new ideas through experimentation, with

²²⁸ Nakash, 232 – 233. For more on the history of Jews in Iraq, see Orit Baskhin, *New Babylonians: A History of the Jews in Modern Iraq*. (Stanford: Stanford University Press, 2012).

²²⁹ Ibid.

prominent thinkers adopting and discarding ideologies in an atmosphere of often heady and heated public exchange.²³⁰

For the purposes of this project, two of these responses will be briefly examined: the rise of a transnational Sunni-Shiite movement toward *taqrīb*, or religious rapprochement, and the transnational rise of a Shiite communist movement. Both of these movements were center stage during Muhammad Baqir al-Sadr formative educational years in Najaf, and both powerfully influenced his concept of an Islamic economics.

Taqrīb and Transnational Rapprochement

A little-studied²³¹ movement in Middle East history was pivotal in laying the theological, intellectual, and political groundwork for a future viable Islamic economics, an outgrowth of broader Pan-Islamic sentiments that percolated region-wide between the two World Wars. This was a resurgence of calls for *taqrīb*,²³² or Shiite-Sunni

²³⁰ This exchange took place in publications that were printed and distributed from major Shiite urban hubs, including *al-Iyfān* and *al-Hatīf*, and occasionally the *nahdawi* publication *al-Muqtataf*.

²³¹ Very few European language sources exist on *taqrīb*, which may explain its absence from the literature. Although many sources exist in Persian and Arabic, it has historically been far more a matter of interest to Shiites than Sunnis and is mostly a subject for analysis in theological tractates. A notable exception was instrumental to this section, Rainer Brunner, *Islamic Ecumenism in the 20th Century: The Azhar and Shiism Between Rapprochement and Restraint* (Leiden: Brill, 2004).

²³² *Taqrīb* comes from the Arabic root qrb and connotes closeness or coming together. It is typically translated as reconciliation or rapprochement, and has come to refer to a healing of theological divides.

rapprochement. In the twentieth century, *taqrīb* gained momentum through the Islamic modernist movement (described in Chapter One), spearheaded by Muḥammad ‘Abduh and continued through Muḥammad Rashīd Riḍā. Although both of these Sunni Azharite scholars were intensely and openly critical of Shiism writ large, they were also deeply invested in an ecumenical, conciliatory Islam that would unite the peoples of the Middle East politically, socially, and religiously. This vision was shared by Shiite scholars, and gained traction among religious leaders in Lebanon, Egypt and Iraq throughout the interwar years, leading to the formation of ecumenical societies like *Jamā’at al-Taqrīb* and, by the 1940s, regular calls for Sunni and Shii clerics to promote that vision.

Though a devout Shiite all his life, Muhammad Baqir al-Sadr reached adulthood in this climate of calls for universalism and reconciliation. *Taqrīb* and the sentiment of rapprochement that it engendered shaped al-Sadr’s highly universalistic approach as an early progenitor and proponent of Islamic economics (described in Chapter Three). Until today, the Shii-Sunni controversies that have embroiled the region are notably absent in Islamic economics as it is has come to be practiced, and most current financial institutions have developed to provide their customers with a plurality of Islamic religious opinions from multiple clerics on “sharī’ah boards.”²³³

A sporadic cycle of *taqrīb* movements has existed in Islamic history from at least the time that Sunnis and Shiites began to conceptualize themselves as separate sects—

²³³ There are a variety of purely capitalist reasons for the development of sharī’ah boards as well, particularly the ability to cater to a more diverse clientele. Nevertheless, the notion of plurality in religious thought and interpretation is enshrined in Islamic orthodoxy, and has definite bearing here.

rather than as community members with different opinions— several centuries after they split.²³⁴ But first, in order to understand the nature of rapprochement, it is first necessary to review briefly the nature of the divide.

By the late eleventh century CE, Sunni jurists had positioned themselves as “the foremost religious authorities in Islam,” having established institutions that came to be known as the orthodox Islamic schools (*madhabs*) of law.²³⁵ In achieving orthodox ascendancy over the various competing ideological currents among the faithful, these schools—the Ḥanbalī, Ḥanafī, Mālīkī, and Shāfi‘ī *madhabs*, each named for a pious jurist—had enshrined a system of sanctioned orthodox Islamic pluralism: Recognizing the frailty of humanity and the impossibility of ever truly knowing the will of the Divine, each school accepted each other’s rulings as valid and sufficiently orthodox.²³⁶ This mutually accepting orthodoxy exists to this day.

As part of formalizing orthodoxy, the *madhab* system was designed “to exclude other claimants to religious authority,”²³⁷ sidelining political leaders (caliphs),

²³⁴ Though our current vantage point in history encourages us to pinpoint the Sunni-Shii split at its earliest manifestations, Sunnis and Shia themselves did not evolve to consider themselves unique sects for several centuries. See, e.g., Stewart, Devin J. *Islamic Legal Orthodoxy: Twelver Shiite Responses to the Sunni Legal System*, (Salt Lake City: University of Utah Press, 1998).

²³⁵ Stewart, Devin J. *Islamic Legal Orthodoxy*, 241. It should be noted that school here refers to a school of thought rather than a physical institution.

²³⁶ For an in-depth discussion of the theological rationale behind the simultaneous development of pluralism and orthodoxy in the Sunni schools, see Bernard G. Weiss, *The Spirit of Islamic Law* (Athens, Georgia: University of Georgia Press, 1998).

²³⁷ According to Stewart: “The rise of the *madhab* system put immense pressure on the theologians, who were forced to join one of the legal *madhabs* in order to establish their

philosophical theologians (as opposed to jurisprudentially-focused traditionalists), and—most important for our purposes—groups with a historical disagreement over the imamate, such as the Twelver Shiites who would eventually predominate in Najaf and Karbala.²³⁸ Theologians with philosophical differences from the traditionalist schools²³⁹ and Shiites were soon obligated to fall in line in order to gain credibility or left to exist outside of legitimized religious authority. Such were the earliest seeds of much later bastions of Islamic orthodoxy, including the physical training ground of Al-Azhar University in Cairo where luminaries such as Muḥammad ‘Abduh and Rashīd Riḍa received their training.

The Sunni system and its theological boundaries were bound up in the development of Shiism. Though the Shiites did not simply reduplicate the Sunni system in their own orthodox traditions, “it is nevertheless clear that the parameters set by the Sunni legal *madhabs* guided the Shiites’ formulation and implementation of their views concerning the elaboration of Islamic law.”²⁴⁰ Theirs was a structure of defensive response; of self-assertion against claims of heterodoxy, or worse, heresy. As outsiders

legitimacy as scholars of the religion. The Mu'tazilis infiltrated the Ḥanafi *madhab* and the Ash'aris infiltrated the Shafi'i *madhab*, swelling their ranks and introducing the methods of speculative theology into their legal traditions. These philosophical and theological inroads into legal theory may be seen in the works of *usul al-fiqh* from the late tenth century on. Nevertheless, the Sunni *madhabs* remained essentially traditionalist.” Stewart, 241. See also George Makdisi, "The Significance of the Sunni Schools of Law in Islamic Religious History." *International Journal of Middle East Studies* 10 (1979): 7-8.

²³⁸ Ibid, 242. Groups that disagreed over the imamate included Shii sects (Twelvers, Zaydis, Isma'ilis) and Kharijis.

²³⁹ These include Mu'tazilis and Ash'aris, among others.

²⁴⁰ Stewart, 242.

seeking recognition and validity, in the early tenth century a group of Twelver Shiites “created a Shiite tradition of legal study within the Shāfi‘ī *madhab*” which lasted through the modern period into the nineteenth century.²⁴¹ Not only were Twelver Shii scholars “passing” as Sunnis, but this was “not a temporary, ad hoc, measure; for many of the participants in the tradition it involved years of study, teaching, and writing as Shāfi‘īs.”²⁴² A second strategy to gain legitimacy vis-à-vis the Sunni *madhabs* was to argue that the principle of consensus (*ijmā‘*) – the concept that agreement on a course of action among a group of pious, educated theologians was enough to establish the relative piety of said act – also applied to Shiites.²⁴³ This argument was, in essence, that Twelver Shiites themselves are a fifth *madhab* who deserve legitimacy through orthodox recognition.²⁴⁴

By the nineteenth century, this long legacy of Shii-Sunni division and debate had become entrenched. As a minority sect, Shiites developed a variety of survival tactics,

²⁴¹ Ibid, 245.

²⁴² Ibid.

²⁴³ Stewart emphasizes that this attempt to gain sanction as a fifth *madhab* occurred simultaneously “with the establishment of a regular system for the transmission of legal knowledge following the methodology of the Sunni legal *madhabs*. It is with the work of al-Shaykh al-Mufid in the late tenth century in particular that the Twelver or Imami *madhab*, as a school of law parallel with the Sunni legal *madhabs*, came into existence. The Twelvers had in al-Mufid a recognized *ra‘īs* or top legal scholar. [...] The following generation of Twelver jurists recognized him as the source of its expertise in the law. By 380/990, he had authored a manual on jurisprudence, presenting Twelver legal methodology in a form sanctioned by the Sunni *madhabs*.” Stewart, 246.

²⁴⁴ A third strategy was to reject Sunni authority, and the concept of consensus as a legitimate means to establish right action, altogether. Stewart, 246.

including “political quietism,”²⁴⁵ or avoiding political engagement for safety or for theological purity, and *taqīyyah*, or religiously justified dissimulation about religious belief.²⁴⁶ At the same time, among the learned, Shiite contributions to the development of orthodox (Shāfi‘ī) legal interpretation were undeniable, and as noted, Shiites had long accepted Sunni methodologies for establishing orthodoxy. These issues were likely instrumental in the choice of famed nineteenth-century peripatetic Jamal al-Din al-Afghani - mentor of Muḥammad ‘Abduh and, alongside him, progenitor of Islamic modernism - to dissemble about his own Iranian Shiite origins, leading him instead to claim Sunni (Ḥanafī) Afghan as his birthplace.²⁴⁷

Al-Afghani had an undeniable influence on ‘Abduh’s Pan-Islamic and ecumenical tendencies.²⁴⁸ When each was expelled from Egypt for a brief time in 1884, they met and worked together in Paris, producing the short-lived journal *Al-Urwa al-wuthqā* (“the firmest bond,” a Qur’anic allusion) with Islamic unity its driving theme. Still, these early

²⁴⁵ See, e.g., “Aspects of Militancy and Quietism in Imami Shi’ism.” *Bulletin* (British Society for Middle Eastern Studies), Vol. 11, No. 1 (1984), 18- 27.

²⁴⁶ See, e.g., Nikki Keddie, *Sayyid Jamal Ad-Din "Al-Afghani": A Political Biography* (Berkeley: University of California Press, 1972), 18 – 19.

²⁴⁷ For more on Afghani, see Nikki Keddie’s numerous works, including *An Islamic Response to Imperialism: Political and Religious Writings of Sayyid Jamāl Ad-Dīn "al-Afghānī* (Berkeley: University of California Press, 1983); *Sayyid Jamāl Ad-Dīn "Al-Afghani": A Political Biography* (Berkeley: University of California Press, 1972), especially Ch. 1.

²⁴⁸ Keddie argues, however, that this is a result of al-Afghani sensing the political temperature of the times rather than a result of his own sentiments. Regardless, he is perhaps best known for his Pan-Islamic teachings. See Keddie, *A Political Biography*, chapter 6, “Pan-Islamic Appeal,” and chapter 8, “Propaganda from Paris.”

conversations about Pan-Islamic unity, broadly conceived, typically used the Islamic terms *ittihād* (oneness, togetherness) or *wahda islāmiyya* (Islamic oneness). *Taqrīb*, on the other hand, was reserved for Sunni-Shii rapprochement.²⁴⁹

As noted in Chapter One, Pan-Islamic unity in the interest of combatting colonialism animated much of ‘Abduh and his disciple Riḍa’s Islamist modernist work after ‘Abduh’s return to Cairo in 1888. It further characterized much of their intellectual contributions to the rising Salafi movement. In turn, Salafism created an opening for a popular discussion of *taqrīb* among Sunnis. “Salafism” arose within Sunni Islam, its name derived from a hadith attributed to the Prophet Muhammad. The Arabic “*al-Salaf al-Ṣāliḥ*” (“pious predecessors”), from which Salafi is derived, refers to the most righteous, early Muslims of the first three generations after Muhammad. In keeping with this title, Salafis seek to return to the religion’s earliest, pre-sectarian practices, and advocate Islamic revival and reform through adapting Islamic law and jurisprudence to the conditions of modern life. Largely uninterested in the Sunni jurisprudential schools, Salafis instead advocate the practice of *ijtihād* in order to derive right Islamic practice, thus—however unintentionally—bridging the divide between the sects. Along with *ijtihād*, Salafis support issuing legal rulings (*fatwas*) on dilemmas of the day as their primary means of determining right practice.²⁵⁰ This transformation of tradition within popular Sunnism was supported by Cairo Mufti ‘Abduh and his disciple Riḍa, whose long-published periodical *al-Manār*—a journal expressly founded as an extension of *Al-Urwa al-*

²⁴⁹ See, e.g., See Rainer Brunner, *Islamic Ecumenism in the 20th Century: The Azhar and Shiism Between Rapprochement and Restraint*. (Leiden: Brill, 2004), 38-39.

²⁵⁰ Ibid.

*wuthqā*²⁵¹—is filled with their *fatwas*.²⁵² Significantly, by the early 1900s, Riḍa’s *fatwas* in *al-Manār* regularly addressed questions of Shii-Sunni relations, often emphasizing brotherhood across sectarian lines.²⁵³

Although not always conciliatory, conversations among Sunni and Shii elites about the principle of Islamic unity—largely driven by Sunnis in the interest of a future political Pan-Islamism—continued throughout the early decades of the twentieth century, gaining significant ground with the abolition of the caliphate in 1924.²⁵⁴ By 1931, for example, the Jerusalem General Islamic Conference (*al-mu’tamar al-islāmī al-‘āmm*), a meeting with one hundred fifty delegates from twenty countries on Pan-Islamic

²⁵¹ See “*li-ihyā’ ta’ālīm al-‘urwa al-wuthqā*,” *al-Manār* 2: 22 (August 1899), 340.

²⁵² See, e.g., Rainer Brunner, *Islamic Ecumenism*, 39-40.

²⁵³ *Ibid.* See *al-Manār*, 7:12 (August 1904), 462; 7:5 (May 1904), 182; 13:12 (January 1911), 897 – 906, cited in Brunner, 40.

²⁵⁴ It is important to note that it would be incorrect to paint inter-sectarian relations as increasingly rosy. Riḍa advocated Pan-Islam but he was not a stouthearted champion of rapprochement. Particularly in the 1920s, he abandoned his early conciliatory tone, frequently engaging in polemics and debates with Shiites, and publishing many strident anti-Shiite critiques. These included rejecting Hashimite claims to the caliphate and supporting Wahhabi—later to become Saudi— theological positions. The openly anti-Shiite stance of the Wahhabis, and their newfound power as guardians of Mecca and Medina, called the ability of the Shiites to make pilgrimage into question, leading to combative relations between Riḍa and his Shiite interlocutors. See, e.g., Henri Lauzière, *The Making of Salafism and the Evolution of Islamic Reform in the Twentieth Century: Islamic Reform in the Twentieth Century*. (New York: Columbia University Press, 2015).

cooperation, included a strong Shiite showing and an explicit call for common ground on the part of both a Shiite cleric and Riḍa himself.²⁵⁵

Yet the majority of these conversations were centered on political unity rather than theological reconciliation. Nevertheless, between the strong interest in a post-Ottoman Pan-Islamic unity and the theological changes wrought by ‘Abduh and Riḍa, the ground had been softened. The first known explicit call in the twentieth century for full rapprochement— rather than Pan-Islamic cooperation— came from a Shiite Iranian cleric, Muhammad Taqi al-Qummi (d. 1990) who traveled to Cairo in 1946, intent on establishing an organization that would resolve the sectarian divide.²⁵⁶ Qummi was both dogged and persuasive, quickly gaining the support of the rector of al-Azhar, Mustafa Abd-al Raziq,²⁵⁷ a support that continued on after Raziq’s death in 1948 with the following two rectors, ‘Abd al-Majid Salim (d. 1954) and Mahmud Shaltūt (d. 1963).²⁵⁸ Shiite interest and support was swift as well: in 1947, Damascus-based scholar Sulayman Ṣāḥir published in *al-‘Irfān*, urging Muslim support of the movement and its broader goals.²⁵⁹ Meeting for the first time in Cairo in January 1947,²⁶⁰ the *Jamā’at al-Taqrīb* (“Society for Rapprochement,”) was comprised of representatives from throughout the

²⁵⁵ See Brunner, 88-89. See also W.C. Matthews, “Pan-Islam or Arab Nationalism? The Meaning of the 1931 Jerusalem Congress Reconsidered.” *International Journal of Middle East Studies* 35 (2003), 1 -22.

²⁵⁶ See Brunner, 130.

²⁵⁷ Ibid, 131.

²⁵⁸ See Sagi Polka, “Taqrīb al-Madhahib – Qaradawi's Declaration of Principles Regarding Sunni–Shi‘i Ecumenism.” *Middle East Journal* 49:3 (2013), 414.

²⁵⁹ *al-‘Irfān* 33:10 (September, 1947), 1102 – 03.

²⁶⁰ See Brunner, 131.

lands of the former Ottoman Empire, united by a vision of a true and lasting reconciliation between Cairo's Al-Azhar, bastion of Sunni orthodoxy, and the dominant Shiite schools.²⁶¹ Theologically and politically, the *Jamā'at al-Taqrīb* wished to do for the broader Muslim world what had been done within the formative years of Sunni orthodoxy: to create a mutually accepting and supportive space for orthodox theological difference.

In order to achieve their aims, the group mirrored other advocacy groups of their day, publishing books and newspapers, utilizing lectures and radio broadcasts, and calling for both the regular convocation of Pan-Islamic conferences and the “uniform teaching of all Islamic schools [*madhabs*] in Islamic universities.”²⁶² By 1949 they had established a journal, *Risālāt al-Islām*, to broadcast their message, usually publishing on areas of common theological ground between Sunnis and Shiis.²⁶³ Aware of the minimal holdings on Shiite topics in Al-Azhar's libraries, they further established a public institute to collect and house information on rapprochement, including all of the different Islamic schools of thought, *Dār al-taqrīb bayn al-madhāhib al-islāmiyya* (House of Rapprochement Between the Islamic Schools).²⁶⁴ Soon *Dār al-taqrīb* became a place for Shiite scholars and politicians to

²⁶¹ The scope of the JT's goals was a matter of continual debate among its members; some sought to bring all minority Muslim sects under its umbrella (e.g., Alawites), while others focused on the major jurisprudential schools. In addition, the desire by certain members of the group to persuade minority representatives away from their theological allegiances led to a certain amount of strife. See Brunner, Ch.6; Polka, 415.

²⁶² See Brunner, 137.

²⁶³ Ibid.

²⁶⁴ Ibid.

visit in Cairo, among them Iranian Prime Minister Mohammad Mosaddeq and Pakistani Minister of Education Fazlur Rahman in 1951.²⁶⁵

Jamā'at al-Taqrīb had a particular appeal among Salafists and Pan-Islamists. Its president, Muhammad 'Ali 'Alluba Pasha, had been treasurer of the 1931 Pan-Arab Jerusalem Congress and had extensive Salafi contacts, including Muslim Brotherhood founder Hassan al-Banna. Salafi focus on returning to the earliest Islamic traditions to find precedent for right living, their related lack of interest in the Sunni orthodox schools, and their acceptance and promotion of *ijtihād* (as noted, popularly considered a Shiite practice), made them uniquely accepting of the notion of inter-sectarian rapprochement. For those, like al-Banna and Alluba, who deeply distrusted the West and believed in Pan-Islamic unity, reconciliation was a natural cause to take up. Well known for his interest in Islamic unity, al-Banna was by all accounts interested in and supportive of *Jamā'at al-Taqrīb*'s endeavor, though he died shortly after its founding.²⁶⁶

²⁶⁵ See Brunner, 139. Rahman's work on the Islamic economics concept of *Ribā* is cited extensively in this dissertation in Chapter One, 41-46.

²⁶⁶ Al-Banna had worked with Alluba in other capacities, including founding the Nile Valley Committee for the support of Palestine. Though we have minimal documentation of conversations or correspondence, Brunner emphasizes that Qummi had been a guest of the Muslim Brotherhood in the 1940s and that al-Banna had met with Ayatollah Abu al-Qasim al-Kashani in 1948 while on pilgrimage to Mecca, where the two discussed improvements in Sunni-Shia relations. Furthermore, after al-Banna's violent death in 1949, his successor in the leadership of the Muslim Brotherhood, Hasan al-Hudaybi, met with Iraqi Shiite advocate of rapprochement Muhammad Mahdi al-Khalisi, promising to send an Egyptian "representative to Baghdad in order to explain the pan-Islamic aims of the Muslim Brotherhood" as envisioned by al-Banna. See Brunner, 180 – 182. For more on Muhammad al-Khalisi and his work for transnational rapprochement, see Wolfgang

Though possessed of an active Sunni Salafi base, the *Jamā'at al-Taqrīb's* publications mirrored early Shiite strategies for orthodox inclusion. For example, Rector Mahmud Shaltut regularly called its participant groups *madhabs* in his writings.²⁶⁷ Their primary organ, *Risālāt al-Islām*, was published for seventeen years (until 1966) focused on building upon points of inclusion and commonality, eschewing controversy by publishing articles about similarities between the two sects.

The *Jamā'at al-Taqrīb* had real and lasting influence, indicating increased ties between Al-Azhar and Najaf. In February 1959, Rector Shaltūt issued a fatwa in the official review of the University, formally authorizing the teaching of Shii jurisprudence there for the first time in over nine hundred years.²⁶⁸ Entitled “Islam, Religion of Unity,” the *fatwa* utilized arguments common to the RI, citing the pluralism of early Islam and the importance of *ijtihād* for collective decision-making while denouncing bigotry and prejudice against the Shiites.²⁶⁹ This educational transformation, significant in and of itself, was also political, a response to the July Revolution in Iraq. Shaltūt was extending a

Fuchs, “Failing Transnationally: Local intersections of science, medicine, and sectarianism in modernist Shii writings.” *Modern Asian Studies* 48: 2 (March 2014), 433 – 467.

²⁶⁷ For more on Shaltut, see Abraham, Midhat David, *Mahmud Shaltūt (1893 – 1963), A Muslim Reformist. His Life, Works, and Religious Thought*. Dissertation (Connecticut, 1976), 116, cited in Brunner, 136. See also H. Inayat, *Modern Islamic Political Thought* (Austin: University of Texas Press, 1982), 48–51. Brunner emphasizes that traditionally, Sunnis and Shiites call each other’s legal schools *ṭāʾifah* (“faction,” plural *ṭawāʾif*), reserving the term *madhab* for the Sunni orthodox schools.

²⁶⁸ Inayat, Hamid. *Modern Islamic Political Thought*. (Islamic Book Trust, 2001), 50

²⁶⁹ In *Majallat al-Azhar*, 30/8 (1959), supplement. Cited in Inayat, Hamid, 50.

branch of Azharite support to the Iraqi Shiite *‘ulamā’* who were increasingly concerned about new Iraqi Prime Minister Qasim’s relationship with Shiite communists. That same year Ayatollah Muḥsin al-Hakīm issued his own fatwa to his Shiite countrymen, stating on no uncertain terms that communism was heresy.²⁷⁰ Though Qasim would shortly change his mind about partnering with the communists, the religious lines had been drawn across national boundaries. As stated by Sagi Polka, “Before long, al-Azhar and the Shiites found themselves in cahoots against the new regime in Iraq.”²⁷¹ This religious concern with communism was center stage in Iraq, as we shall see shortly.

Thus, though never a large movement, the *Jamā’at al-Taqrīb* was representative of a renewed twentieth-century venture in theological thought and inter-sectarian dialogue, first opened in the Sunni world by ‘Abduh and Riḍa’s calls for Islamic reform and deepened by their openness to *ijtihād*.²⁷² Muhammad Baqir al-Sadr was never directly involved with the *Jamā’at al-Taqrīb*, but, as a topic in transnational Shiite periodicals and international discussion, it would hardly have been unknown among the tight transnational networks that comprised his circle. The idea of an active and evolving theological rapprochement, when combined with the Shiite reformation within Najaf and considered alongside regional calls for Pan-Islamic political unification, would have naturally created a heady climate of intellectual and theological possibility right at the cusp of Iraq’s 1958 Revolution. This was all to have a powerful effect on al-Sadr, and a direct effect on the tone of his economic writings.

²⁷⁰ Cf. this chapter, footnote 296.

²⁷¹ Sagi Polka, 414.

²⁷² *Risālāt al-Islām* regularly cited ‘Abduh as their inspiration.

Iraqi Communism and Al-Sadr

In the thought of al-Sadr, Islamic economics was conceived in large part as a response to the rise of communism as an ideology and as a movement, both in the Shiite circles he inhabited and in the region as a whole. A brief introduction to the rise of communism in Iraqi Shiite circles is offered here in order to provide context for the later, deeper analysis of anti-communist decolonialist narratives in *Iqtisādunā*, explored in the next chapter.

The twentieth-century rise of communist movements throughout the lands of the former Ottoman Empire has been well documented in the literature.²⁷³ In response to broader challenges of social justice, freedom, sovereignty, and a stable and inclusive cultural orientation, Sunnis and Shiis alike experimented with political philosophies in the process of forming national identities.²⁷⁴ A detailed examination of the rise of communism would exceed the parameters of this project. Nevertheless, while this section limits its focus to Iraq and those who were members of Muhammad Baqir al-Sadr's generational cohort, it must be remembered that these individuals were responding to ideas and movements on the local (Najaf), national (Iraq), transnational (intra-Shiite), and international (global) stages. Shiites in particular, as a minority sect, had a legacy of being

²⁷³ See, e.g., Jonathan Franzén, *Red Star Over Iraq: Iraqi Communism Before Saddam*. (New York: Columbia University Press, 2011); Ismael, Tareq and Jacqueline S. Ismael, *The Communist Movement in Syria and Lebanon*. (University of Florida Press, 1998); Batatu, Hanna, *The Old Social Classes*. (Princeton University Press, 1983)

²⁷⁴ See, e.g., Di-Capua, "Integrative Quest," Fuchs.

closely attuned to the ideas of the majority Sunnis, and this tendency extended to their close attunement to Enlightenment ideas as they were introduced and implemented by the colonizers. Iraq as a whole was embroiled in debates about the nature of the polity they wished for as the British left their country; questions of pan-Arab and pan-Islamic nationalism, Iraqi sovereignty, and socioeconomic philosophies including socialism, communism, and capitalism, were part of daily discourse across ethnic lines. Initially held in Sunni cafes throughout Mosul and Baghdad, these conversations slowly bled into the shrine cities, influencing the political and ultimately theological thought coming from the *hawzāt*. A brief sketch of the rise of communism as both a political orientation and a party in Shiite circles is included here to provide context to al-Sadr's thinking.

First it must be noted that early Arab communist political parties as a whole took their cues only generally from broad Marxist and Leninist philosophy, selectively implementing ideas as they focused on building community. Though communism was a subject of intense interest from the rising Shii generation, the early twentieth century movement was not closely based on its foundational European texts. A primary reason for this was the lack of complete and competent translations. Stefan Wild argues that one may reasonably assume that in the first decades of the twentieth century there were only “single trains of thought, quotes, and buzzwords” (“immer nur einzelne Gedankengänge, Zitate, und Schlagworte”) of Marxist original works in Arabic.²⁷⁵

For example, the earliest known full translation of Marx's *Capital* in Arabic appeared quite late, published in Egypt in 1947 from translator Rashad Barawi.²⁷⁶ This

²⁷⁵ Stefan Wild, “Das Kapital’ in arabischen Übersetzungen,” In Wolfdietrich Fischer, ed. *Festgabe für Hans Wehr*. (Otto Harrassowitz: Wiesbaden, 1969), 97 – 98.

²⁷⁶ *Ibid*, 99.

was likely the translation read by Muhammad Baqir al-Sadr, since later editions were published out of Beirut and Damascus in the 1960s, after Muhammad Baqir al-Sadr had begun publishing his critiques of Marxism and communism. These translations of communist works contained numerous problems that were common to the time period: first, few Arabic-speakers were conversant enough in European languages to render the nuances of complex philosophical thought. Barawi, for example, did not have sufficient German, instead translating *Das Kapital* from an intermediary work, the 1886 English translation.²⁷⁷ Second, the existing Arabic lexicon struggled to fully capture the new ideas flooding in from these European texts. Translators worked to rectify this by inventing new words, expanding the Arabic dictionary and effectively transforming the Arabic language over the course of a few decades in the late nineteenth and early twentieth centuries. The difficulty of rendering ideas across language and culture led to a loss of linguistic subtlety, sometimes altering the meaning of important concepts.²⁷⁸ Wild explains, for example,

²⁷⁷ Ibid.

²⁷⁸ Marwa Elshakry explains the complexities inherent in the coinage of new terms in “Knowledge in Motion: The Cultural Politics of Modern Science Translations in Arabic.” *Isis* Vol. 99, No. 4 (December 2008), 701-730. Early translators sought to “select correct and familiar words and simple phrases whenever possible.” (709). She continues, “Yet this commitment to an easily understood prose in the service of the popularization of knowledge also set constraints on their use of neologisms and transliterations, which is why they sometimes moved between the reassignment of older terms and the construction of new ones. In fact, different strategies of translation allowed them to mediate between differing socio-epistemological connotations and semantic values.” Thus Elshakry makes the case that translation was never a simple matter of one-to-one correspondence, but was always embroiled in contested terrains over proper authority, religious and cultural

that the distinction between “worker” and “proletariat” was lost from the rallying cry “Proletarier aller Länder, vereinigt euch!”, which was commonly rendered “*Yā ‘ummāl al-‘ālam ittahidū!*” —even in later editions.²⁷⁹ Furthermore, commentary and contextualization—necessary to properly understand the many European cultural references in dense and difficult communist texts—were left out of the Egyptian translation of *Das Kapital* entirely. Without this the many names and cultural references would have meant little to the average Arab reader.²⁸⁰ Communist thought and communist movements throughout the Arab Middle East, then, should be evaluated not in comparison with European movements, but as their own singular and distinctive Arab ideal.

Throughout Iraq, communism was gaining appeal among the rising generation, many of them sons of local sayyids. In Najaf this fascination with communism extended to the sons of ‘*ulamā*’, some of whom were among the “most militant of the Party.”²⁸¹ Hanna Batatu, superlative scholar of Iraq, attributes the rising interest in communism squarely to the economic troubles facing both the Iraqi countryside and the shrine cities, just described.²⁸² Before colonial intervention, land itself was not considered a commodity in Iraq, much as it had not been in much of the arid desert lands of the Middle East. Instead, what could be grown from the land was valued, and a socioeconomic structure

tradition, concern about “foreign borrowings and impositions” (710) and political intrigue. See also Wild, 99, 100, 102.

²⁷⁹ Ibid.

²⁸⁰ See Wild, 99 – 102.

²⁸¹ Batatu, Hanna, *Old Social Classes and the Revolutionary Movements of Iraq*. (London: Saqi, 2004), 752.

²⁸² Ibid.

developed that valued trade negotiation and loyalties based on kinship, clan, and tribe rather than one in which land was strictly apportioned and regulated by law. This changed in 1920 with British intervention. By the 1950s, several decades of colonially-imposed fiscal policies had divided and tethered land to traditional tribal leaders, altering the social, political, and economic fabric of Iraq away from nomadic kinship groups, making tribal leaders into landowners and offering them representative status in the colonially-controlled government based on that status. In this semi-feudal system, poverty and corruption were rampant, and traditional ties of kinship and tribe were deliberately undermined, leading to the collapse of small-scale, family based subsistence agriculture. Resentment brewed among the poor, and tribal leaders who now possessed great power in parliament in Baghdad dealt with diminished social and political power in their rural homes. The desire to take back rights to the land, and the simple explanation communism offered for their suffering, led peasants and impoverished youth alike to take up the mantle of communism, however minimally they understood the technicalities of its Marxist-Leninist roots.

In addition to material concerns, scholars Rula Jurdi Abisaab and Malek Abisaab argue that Shiite religious tradition itself makes communism a particularly legible and integrable political ideology for the faithful. Contending that an interest in communism goes even deeper among Shiites than concerns for social justice, communal autonomy, and mutual prosperity, they describe an “affinity with Shiite eschatological and doctrinal traditions,” explaining that some Shiite “leftists and their sympathizers saw communism not only as a program for secular political change and economic improvement, but also

as a moral system resonating with Shiite emancipatory and spiritual symbolisms.”²⁸³ According to several (mostly unnamed) communist Shiite activists interviewed by the Abisaabs, there are several reasons that communism does not feel alien to Shiis, most of them centered in eschatology. Shiite tradition holds that the only acceptable form of government is under the sovereignty of the restored imamate. All other forms of state rule must be rejected or resisted, a teaching that led historically to the dual existence of a strong tradition of Shiite political quietism on the one hand, and bloody anti-government resistance on the other.²⁸⁴ This concern over right rule was also the direct inspiration for both Muhammad Baqir al-Sadr’s and Ruhollah Khomeini’s concept of the rule of a designated jurisconsult, called by Khomeini in Persian “*velayet al-faqih*,” who acts as pious steward of the community until the imam returns to take his place.²⁸⁵ True rule will happen, according to Shiite eschatology, after the coming of the Mahdi, a messianic figure who returns to establish a righteous utopic order. This ideal, a deeply entrenched in Shiite tradition, makes the general principle of revolution leading to idyllic communist

²⁸³ *The Shiites of Lebanon: Modernism, Communism, and Hizbullah’s Islamists*. (New York: Syracuse University Press), 51. Although Lebanese Shiites had their own local and political concerns, the close transnational ties between Shiite communities in Najaf and Jabal ‘Amil and— as noted above— the flexible, non-doctrinaire way in which Arab communities generally interpreted communist philosophy, indicates the likelihood that common elements of these interviews’ perspective are instructive. This is all the more pressing since some of the few documents that exist with Shiite Iraqi communists in the 1940s and 1950s are Hanna Batatu’s interviews in Iraqi jails, and those were not focused on religious perspectives and understandings.

²⁸⁴ *Ibid.*

²⁸⁵ See Mallat, *Renewal*, 27.

egalitarianism familiar and resonant.²⁸⁶ Indeed, communism itself, particularly Marxist revolutionary ideals and prescriptions for a resulting egalitarian haven, has strong parallels in the eschatology of many religious traditions.

It is important here to recognize the role of communal solidarity in the rise Shiite communism. Most Shiite communists—both in Lebanon and in Iraq—were observant and pious or impious to varying degrees, yet the culture of Shiism, including its ritual observances, permeated day-to-day life. The holy month of ‘Ashura, for example, is observed communally rather than limited to a few self-selected believers, leading historically to communists in Iraq competing for the chance to organize ‘Ashura parades.²⁸⁷ Though rigorous text-based religious training is limited to pious elites in most religious cultures, the popular culture of Shiism was shared by communist, Ba’athist, and capitalist, believer and non-believer alike.

In this way left-leaning Shiite activists could use cultural common ground as a means to persuade compatriots to their cause. They did so by imbuing “early pious and austere Muslim personalities [...] with protosocialist qualities to confirm Islam’s stand against the avarice of the ruling elites, their indulgence, and their indifference to the welfare of believers.”²⁸⁸ Some leftists argued that the first Shiite Imam, ‘Ali, demonstrated

²⁸⁶ See Abisaab and Abisaab, 55.

²⁸⁷ See Falah Abd-al Jabbar, *Shiites*, 75-80. Anthropologists and sociologists often describe religious affiliation in the lands of the former Ottoman Empire as occupying a different category than religion occupies in the West; it is far more akin to ethnicity in the sense that one is born into one’s religion, and its customs and practices inform one’s life and one’s identity regardless of belief or piety.

²⁸⁸ Abisaab, 55 – 56. This information is taken from personal interviews, many of them anonymous, conducted by the Abisaabs with Lebanese communists in 1996. As noted

socialist leanings, citing a famous letter in which ‘Ali urged the newly appointed governor of Egypt to provide for the people. This letter speaks of governing through consensus by ministering to the interests of the many, and of prioritizing “the most comprehensive in justice, and the most inclusive of popular contentment, for the discontent of the common folk (*al-‘amma*) undermines the contentment of the elite (*al-khassa*).” It further discourages over-taxing the poor.²⁸⁹

Thus attraction to communism, especially by impoverished peasants, was understandable, particularly in an era in which landed notables and colonizers, whether the French in Lebanon or the British in Iraq, had literal monopoly and taxation power. For landless Iraqis, communism “promised to resolve problems in labor, land reform, and agricultural development in the countryside attributed largely to the landed elites’ exploitative practices” while not alienating Shiites from their cultural roots.²⁹⁰ Iraqi Arab nationalists were further embittered and disillusioned by the British colonial support of Faysal’s Iraqi rule, steering them toward a solution in communism. Intellectuals joined in, disappointed in Faysal’s inability to combat British policy, eventually mounting a socialist critique of Arab nationalism as a whole. Shiites, always attuned to the intellectual currents around them, were at the forefront—Nakash describes the intellectual milieu of Najaf

above, the tight transnational relationship and intellectual exchange between the Lebanese and Iraqi Shiite communities makes it reasonable to assume that similar rationales existed in both communities.

²⁸⁹ Ibid, 56.

²⁹⁰ Ibid, 52.

and Karbalah throughout the 1920s, 30s, and 40s as roiling with questions about political rule and reform, anticolonial struggle, and national identity.²⁹¹

The particular danger to clerics of a popular, local movement that situates traditional Shiite teachings as proof-texts of communist legitimacy was palpable in al-Sadr's Iraq. As more and more Shiites joined the Iraqi Communist Party (ICP), totaling 42% of its membership in 1951, the clerical class became alarmed: Communism had become the largest political party in the Middle East.²⁹² The ICP continued at an astonishing growth rate among Iraqis of all sects throughout the 1950s, its records showing a strong momentum as the Party jumped from 507 names on the membership rolls in 1953 to between 20,000 – 25,000 by 1959.²⁹³ Batatu emphasizes further the ICP's palpable power: It could bring people into the streets like no other of political party of its time, surpassing even the Ba'athists.²⁹⁴ This power alarmed more than just the clerics, as Abd al-Qarim Qasim, newly installed President of Iraq after the Revolution, quickly soured on the communists that he had once supported, desiring to curb their influence once in office.²⁹⁵ Qasim was all too quick to ally himself with the conservative Najaf clerics, both seeking to control the rising Party. By 1960, at the same time that al-Sadr was writing *Iqtisādunā* his then-superior *marja'* Ayatollah Muḥsin al-Hakīm declared

²⁹¹ Nakash, *The Shi'is of Iraq*, 118.

²⁹² Batatu, *Old Social Classes*, 700.

²⁹³ Batatu, *Old Social Classes*. 1000.

²⁹⁴ *Ibid.*

²⁹⁵ See, e.g., Abisaab, 90.

communism illegal via fatwa,²⁹⁶ simultaneously seeking violent means to put down the growing communist movement in the shrine cities.²⁹⁷

Thus the existence of communism as an ideological enticement that was both local and global, both anti-religious specter and on-the-ground political campaign, galvanized the increasingly impoverished clerical class of the shrine cities. And all of this took place against the backdrop of a much larger Iraqi political transformation, during a time period of exceptional political intrigue and regular coups d'état, lending a particular urgency to al-Sadr's response.

A common thread runs through each of the major topics of this chapter: transnational networks and the mid-century transformation of Shi'ite education; the rise of a movement for inter-sectarian rapprochement (*taqrīb*) as a unifying regional force against the European colonizers; and the growth of communist parties in Iraq and beyond. Each of these came as a response to colonialism and its aftereffects. In one way or another, each of these was born of a desire for self-assertion and popular indigenous reclamation against the influences of foreign power and foreign ideology. The birth pangs of a climate demanding decolonization—both in the sense of literally ridding the region of the physical presence of the colonizers, and in the sense of purging the ideological structures that the colonizers had implemented—is evident here. Decolonization would not simply

²⁹⁶ See Hasan al-'Alawi, *al-Shi'a wa al-Dawla al-Qawmiyya fi al-'Iraq*, 1914 - 1990 (Baghdad: n.p., 1990), 213 – 214, Adil Ra'uf *Muhammad Baqir al-Sadr bayna diktaturiyatayn*. 6th ed. (Damascus: Al Markaz Al-'Iraqi li-al 'Ilam wa-al-Dirasat, 2001), 256 – 57; Jabbar *The Shi'ite Movement*, 133 – 134.

²⁹⁷ See Abisaab, 90.

be a removal of the interlopers. It would be a confident and consciously constructed new Arab world, characterized by intellectual and ideological autonomy and philosophically derived from the best of the present and the pre-colonial past. The structures of knowledge, power, and wealth—their intellectual and ethical edifices as well as their individual leaders and administrators—were the most vital to reclaim. And, as we shall see, Islam offered the ready template for reclamation and reinvention.

Muhammad Baqir al-Sadr was neither the only person to write about the question of Islamic economics, nor was he the first. He was, however, the first thinker to simultaneously propose the ethical and theological need for a specifically Islamic economics and to invent and explore real-world, practicable applications of his idea—or, as he would put it, exercise *ijtihād* in order to discover the Divine will regarding right economic practices. His identity as a gifted Arab Shiite from a prominent family, coupled with the extraordinary intellectual milieu and epistemic moment in which he lived, uniquely positioned him to do this creative work. As a *mujtahid* participating in a Shiite *nahḍa* and witnessing the widespread appeal of communism among his cohort in Najaf even as the shrine cities began to suffer economic collapse, there is little wonder that his mind turned to the theological ethics of communism, and to the question of economy as a whole. Further, as a cleric with associates who were involved in the movement toward a truly pan-Islamic rapprochement at a time of national revolution, it is not surprising that he cast his ideological and theological net wide, thinking and writing expansively about his role in a world in which Shiism might for the first time not be a persecuted minority. Finally, as a cleric writing as the clouds of colonialism dispersed, al-Sadr's ideas—and the many movements to which he was responding—were all undergirded by the memory of foreign occupation and driven by the goal of cultural, religious, and intellectual liberation.

Thus, alongside colonial penetration, Shiite theological structures were a pivotal factor creating the intellectual space for the development of Baqir al-Sadr's concept of a precisely theorized Islamic economics, and Sunni transformation in the form of Islamic modernism is what enabled it to be heard. Because of the Najafi legacy of financial and intellectual autonomy, Shii clerics were un beholdened to the practicalities and obligatory compromises of national politics. The new, emboldened, non-quietest form of *ijtihād* that Baqir al-Sadr and his cohort practiced was only possible because these men were unaccustomed to the realities of political concession in the context of their religious views. Even more important, *ijtihād* itself—accepted by Sunnis as well as Shiis—held the key for Baqir al-Sadr to begin to envision an applied Islamic economics in the context of his vision of an ideal Islamic society.

As we shall see in the next chapter, al-Sadr's *Falsafatunā* and *Iqtisadunā*, published in 1959 and 1961, are remarkably universalistic, citing Sunni scholars as much as Shiites, and engaging extensively with secular as well as religious scholarship. When put in the broader context of this chapter, these authorial choices are made comprehensible: Though al-Sadr was a lifelong Shiite, he was also a cleric attuned to the ideas of his day, including the widespread discussion of possible theological rapprochement as a means to combat continued colonialism. The religious implications of this rapprochement, particularly for a member of a minority sect that had yearned for it for literally centuries, cannot be overstated. Perhaps more than Pan-Islamic ideals, *taqrīb* held out the possibility of a truly transformative moment for pious Shiites, including the potentiality of claiming their (in their eyes) rightful place as full participants and equals in the Muslim theological and political community. Given this climate of ideas, it is clear why a cleric's mind would turn to more universalist means of persuasion by choosing *not* to write his economics

treatise in the form of traditional Islamic judgments (*fatwas*), but instead by using his diverse education to issue a much more far-reaching call.

As Baqir al-Sadr took up his pen, he was responding as much to the political instability rocking his countrymen as to the crisis of ideology in his inner Shiite circle. His response, framed by the theological structures of his faith and written according to the dual Western-Islamic intellectual traditions of his education, was not a mere refutation of communism as un-Islamic and un-Iraqi. It was, as we shall see in the next chapter, also a hopeful dialectic of decolonization.

Chapter Three:
Muhammad Baqir Al-Sadr and the Decolonization
of Islamic Economics

“As for the Islamic movement, it lives in the scope of cultural struggle
more than it does in the field of political struggle...”

-Muhammad Hussein Fadlallah²⁹⁸

Muhammad Baqir al-Sadr was the progenitor and primary intellect behind the current field of Islamic economics, constructing the theological framework and conceptual underpinnings for the later Arab Islamic financial industry of the late twentieth and early twenty-first centuries. This chapter introduces his two works that established the field, eventually prompting the development of an entire banking system, *Falsafatunā* (*Our Philosophy*, 1959) and *Iqtisādunā* (*Our Economics*, 1961).

Like its earlier rumblings, Islamic economics emerged in the late 1950s as a response to regional transformations, making it an idea that persistently acted as microcosm of major Muslim movements in successive Middle Eastern generations. I contend here that, more than simply an exercise in *ijtihād*, al-Sadr’s most famous works are best understood and interpreted as a formative contribution to Arab-Muslim and

²⁹⁸ Fadlallah, *Al-Ḥarakah al-Islāmīyah mā laha wa mā 'alayha*. Najib Nur al-Din, ed. (Beirut: Dar al-Malak, 2004), 25. Fadlallah was a contemporary of al-Sadr and studied with him in Najaf.

Iraqi decolonization literature, centered upon the goals of social justice, the deracination of colonial interventions (communism) and the assertion that Islam, conceived as the original culture of the Iraqi past, holds all of the answers to the Iraqi future. While Chapter Two focused on the specifically Shiite cultural and intellectual elements informing al-Sadr's economic climate of ideas—including the educational system, the rise of communism among Iraqi Shiites, and the transnational movement toward Sunni-Shiite rapprochement—here al-Sadr's thought will be situated further in its national and international context. The 1955 Bandung Conference, and Iraq's participation in and perception of it, will set the stage for a close analysis of his first two Islamic economics texts as decolonizing propositions.

As described in Chapter Two, Baqir al-Sadr's family, colleagues, and cohort had witnessed a marked change in their lifetimes: though transnational intellectual exchange across Shiite communities continued, the centuries-old tradition of resources—religious tithes, offerings, and donations—flooding into the Iraqi shrine cities from Lebanon, Iran, and other lands abroad, had dwindled to a trickle. The old religious schools no longer held their luster for a people whose economy was reeling from long-term colonial occupation; their philosophical and scientific traditions could no longer pass muster when compared to the Enlightenment thought being taught in the new Iraqi public schools. Communism—particularly Soviet propaganda—became increasingly palatable to a desperately poor population even as Soviet consolidation of power caused consternation among Iraqi elites.

Iraqi Dialectics of Decolonization: Bandung

In the years leading up to the Iraqi 1958 July Revolution, a global shift in power took place. With World War II and its aftermath came a huge drawback in British and French colonial occupations worldwide, a winding down of colonial influence that created the space for independent local nationalisms to come into fruition. Simultaneously the U.S. and U.S.S.R. stepped forward as the global superpowers of the new atomic age, and global alliances fell into place that divided the globe's politics into a trifecta: The First World was the U.S. and its Western European NATO allies; the Second World was the U.S.S.R. and its Eastern Communist bloc; and the Third World, largely formerly colonized countries in Africa, the Middle East, and Asia, was constituted from the rest.

The 1955 Bandung Conference was one of the first international attempts to forge an analogous alliance among these non-aligned Third World nations. Viewing global power structures from the margins of the Cold War, Third World national leaders proposed a comparable Third World alignment, focusing on a dual international strategy of economic cooperation and human rights initiatives. Led by five host countries—Indonesia, Pakistan, India, Ceylon, and Burma—the conference included twenty-nine invitees from throughout East Asia, Africa, and the Middle East, among them Egypt and Iraq.²⁹⁹ Gamal Abdul Nasser, fresh from his victory with the Free Officers and soon to

²⁹⁹ Only one former colonial power, Japan, was invited. Israel was not. For more on the human rights elements of the conference, see Roland Burke, “‘The Compelling Dialogue of Freedom’: Human Rights at the Bandung Conference,” *Human Rights Quarterly*, 28: 4 (2006), 947-965. For a general history of Bandung see, e.g., Mackie, Jamie. *Bandung 1955: Non-alignment and Afro-Asian Solidarity*. (Singapore: Editions Didier Millet, 2005)

nationalize the Suez³⁰⁰ (in 1956), quickly rose to prominence in the conference as the face of the Middle East,³⁰¹ announcing early his intentions of carefully measured Arab neutrality.³⁰²

The Iraqi representative to Bandung, former foreign minister and Prime Minister Fadil al-Jamali, had a different take from his more famous counterpart. A signatory to the UN Charter, Jamali proposed instead a third bloc, comprised of the Third World, in the interest of mutual protection from the Western and Eastern blocs.³⁰³ Jamali's concerns were oriented toward the continuing colonial occupation and the specter of encroaching communism. Speaking to the general assembly on April 19, 1955, he announced boldly that Iraq considered three international forces to "disturb peace and harmony": colonialism, Zionism, and communism. Jamali further insisted that communism was simply a new form of colonialism, a "one-sided materialistic religion" that "denies God

³⁰⁰ Nasser explicitly nationalized the Suez in the name of Bandung. See Burke, 949.

³⁰¹ Nasser's face itself was part of his international popularity, as his physical charms met with lavish praise alongside his photograph in the Southeast Asian press. The Indonesian daily *Wanita* (5 May 1955) stated "His kind face and his smile and his hand which was always waving, make him very popular, and he is only thirty-seven years old," and the Malay language *Minggu Pagi* (1 May 1955) reported "No wonder he can start a revolution in Egypt . . . his body is so virile, his hand is so strong that it can destroy steel." Cited in Naoko Shimazu, "Diplomacy As Theatre: Staging the Bandung Conference of 1955." *Modern Asian Studies* 48:1 (Cambridge University Press, 2014), 246.

³⁰² See, e.g., Pang Yang Huei "The Four Faces of Bandung: Detainees, Soldiers, Revolutionaries and Statesmen" *Journal of Contemporary Asia*, 39:1 (2009), 68.

³⁰³ George McTurnan Kahin, *The Asian-African Conference, Bandung, Indonesia, April 1955* (Ithaca: Cornell UP, 1956). See also Lisandro, Claudio. "The Anti-Communist Third World: Carlos Romulo and the Other Bandung." *Southeast Asian Studies* 4:1 (2015).

and the spiritual heritage of mankind.”³⁰⁴ Both were an affront to Iraqi human rights. This claim, announced in front of communist conference leader Chinese Premier Zhou Enlai, led to fierce debate over the definition of colonialism in the final Bandung communiqué.³⁰⁵

After the conference divided into subgroups, Jamali continued voicing his concerns to the Bandung Cultural Committee, calling colonialism itself a war on culture, arguing that, internationally, there was extensive evidence that colonialism led to discrimination through policies that deny “fundamental rights, impede cultural advancement in this region and also hamper cultural cooperation on the wider international plane.”³⁰⁶ Jamali’s answer to the human rights menace of colonialism-through-communism was distinctly cultural. He “evolved a cultural solution in answer to Western domination and suggested that *Islam as a practice and a cultural basis might protect Arab countries from any kind of imperialism*” (emphasis added.)³⁰⁷ Thus Iraqi leadership, increasingly concerned that communism would take the place of colonialism, openly expressed interest in indigenous Iraqi cultural and religious solutions— in Islam itself— as an answer to the problems of independent statecraft.

³⁰⁴ See al-Jamali’s memoir, *Experiences in Arab Affairs, 1943 – 1958*. Unpublished manuscript, uploaded to Harvard’s website. <http://users.physics.harvard.edu/~wilson/Fadhel.html> (accessed March 1, 2017). See also, Matthieu Rey, 173; “Developments of the Quarter: Comment and Chronology” *Middle East Journal* Vol. 9, No. 3 (Summer, 1955), 310.

³⁰⁵ Lisandro, “The Other Bandung,” 142. For the language of the final communiqué, a list of ten points of economic cooperation, see “Final Communiqué Of The Asian-African Conference,” *Interventions*, 11:1, (2009) 94-102

³⁰⁶ Rey, 174.

³⁰⁷ *Ibid.*

Back home, Bandung dominated the Iraqi headlines.³⁰⁸ Discussions of Egyptian-backed neutrality and Iraqi isolationism filled the pages of *Al-Zamān* and *Al-Bilād*.³⁰⁹ In the intervening years between Bandung and the July Revolution, the concerns of the conference—concerns of the nature of an Iraqi post-colonial identity on the national, regional, and international stages—continued to fuel public discussion and debate as the communist party grew in popularity and influence.³¹⁰ As an opportunity to appear progressive rather than reactionary, Bandung served as the Iraqi leaderships’ answer to Nasser’s populist socialism and was used to buttress the hegemony of the Iraqi ruling political elite in the face of daily opposition. In an environment in which the Iraqi public was debating fundamental change, the Bandung Conference gave the government a chance to appear a champion of the people. It proved significant enough to the Iraqi leadership and in the Iraqi public imaginary that the leaders of the July Revolution cited commitment to its Ten Principles in their Proclamation 1 in the immediate aftermath of the coup.³¹¹

³⁰⁸ See, e.g., Hashim S. H. Behbehani, *The Soviet Union and Arab Nationalism, 1917-1966*. (New York: Routledge, 1986), 133. Although attendees did not emerge from Bandung with the same kinds of alliances as NATO or the Communist Bloc, Bandung did produce a final document of ten principles advocating human rights, respect for U.N., international treaties, and territorial sovereignty, and peaceful means for resolving disputes.

³⁰⁹ Ibid.

³¹⁰ For an interesting discussion of Soviet influence at this time, see Elizabeth Bishop, “The Iraqi Revolution of 1958 Between Western and Soviet Modernities.” *Ab Imperio*. 4 (2011), 172 – 202.

³¹¹ For the text in Arabic, see Layth ‘Abd al-Muḥsin al-Zubaydi, *Thawrat 14 Tammūz fī al-‘Irāq* (Baghdad, ‘Irāq: Dar al-Rashīd lī al-Nashr, 1979), 452 – 453.

It is in this context that al-Sadr—a young student and not yet a formal member of the Shiite clerical establishment—used family contacts to rise to prominence in a newly-formed (1958) Shiite activist group in Najaf, *Jamā'at al-'ulamā'*. Their express goal was to counter antireligious—and specifically communist—influence in society, and they had the full backing of new Iraqi Prime Minister `Abd al-Karim Qasim. Fearful of the rising power of communism to topple his fledgling post-revolutionary government, Qasim was eager to promote anti-communist messages. With the aid of his father-in-law Sheikh Murtaza al-Yasin and older brother Isma'il al-Sadr, the younger Muhammad Baqir Al-Sadr was able to regularly write and publish leaflets against communism and socialism, even briefly writing weekly anti-communist radio addresses that were broadcast on government radio through the permission of the Qasim regime.³¹² Shiite clerics, once known for their political quietism, were now leading the Iraqi national anti-communist charge.

When viewed in the broader context provided here and in the previous chapter, al-Sadr's next steps—the rapid publication of his most famous two volumes in 1959 and 1961³¹³—can be seen as more than just a theological exercise. Al-Sadr was not merely

³¹² See T. M. Aziz. “The Role of Muhammad Baqir al-Sadr in Shii Political Activism in Iraq from 1958 to 1980.” *International Journal of Middle East Studies* 25: 2 (May, 1993), 208–209; see also Abisaab, Rula Jurdi and Malek Abisaab *The Shiites of Lebanon: Modernism, Communism, and Hizbullah's Islamists*. (New York: Syracuse University Press), 94.

³¹³ While there are many sources indicating the dates of the first editions of these books, the editions themselves are inaccessible. As of 1993, for example, scholar Chibli Mallat notes that he was able to track one first edition of *Iqtisādunā* to the British library, but it was missing from the shelves. See Mallat, *Renewal*, 159. For references to these publication

responding to his co-religionists as a cleric. *Falsafatunā* and *Iqtisādunā* were the response of a pious man uniquely positioned to be keenly aware of the specific political pressures of Iraq and the broader Middle East of his time; a thinker who was attuned as much to Shiite concerns as to the broader patriotic hopes and dreams of the July Revolution and the regional hopes of a Pan-Islamic polity. When looked at together, Al-Sadr's writings are both intellectual critique and theological supplication, a proposal that painstakingly lays out the flaws in communism and that argues an Islamic ethical solution at the political and economic level of the nation-state. In other words, this early work is best understood as not just economic musings, but as Iraqi and Arab Muslim decolonization literature. Through al-Sadr's framing, the concept of Islamic economics enters the intellectual history of the Arab Middle East as a microcosm of its time.

Arab Decolonization

Before discussing al-Sadr's works, a brief introduction to decolonization, and specifically how to approach it in the Arab context, is in order.³¹⁴ Decolonization studies as a field is fairly new, a late outgrowth of post-colonial studies. As emphasized in the Introduction to this project, the intellectual history of Arab decolonization is a field in formation, its first two books slated for publication by 2018.³¹⁵

dates, see, e.g., Marion Farouk-Sluglett and Peter Sluglett *Iraq Since 1958: From Revolution to Dictatorship* (New York: Routledge, 1987), 196. The second editions are used in this paper.

³¹⁴ Cf. Introduction, pages 11 – 20.

³¹⁵ Cf. Introduction, footnote 33.

Decolonization takes shape in two primary realms: the practical (material), and the psychological (spiritual). The former typically comprises the actual physical process of structural decolonization and transfer of power and control of major social, governmental, educational, and economic institutions from the colonizers back to the hands of the colonized. The history of nationalization is often situated under this realm. The latter, far more subtle and complex, is the process of abandoning the intellectual and ideological structures of colonialism, particularly internalized discourses that justify the subjugation of peoples through explicit or implicit racism, sexism, classism, and more. Decolonization discourse is thus more than simply anticolonial, though anticolonialism forms its roots and frequently postcolonial critiques structure its arguments.³¹⁶ Over and above critique, decolonization discourse explores the process of “undoing” colonialism, seeking as much as possible to reverse the effects of colonialism by unearthing and restoring “original” or “authentic” cultures and identities, seeking a self and society unmarred by imperialism. To do this, colonialism must be erased—or, at least, overwritten. And, in the place of the colonizers’ ideologies and organizational structures, new and different indigenous ideologies and structures must be constructed.

Ideas about the process of erasure—as much as the likelihood of its success—have been as historically varied as the specific cultures and time periods of colonization.³¹⁷ An

³¹⁶ For more on postcolonialism, see, e.g., Kelpana Seshadri Crooks, *The Preoccupation of Postcolonial Studies*, ed. Fawzi Afzal-Khan and Kalpana Seshadri Crooks (Durham, North Carolina: Duke University Press, 2000); Gayatri Spivak, *A Critique of Postcolonial Reason. Toward a History of the Vanishing Present* (Cambridge, Massachusetts: Harvard University Press, 1999).

³¹⁷ Thus, for example, J. Sabelo Ndlovu-Gatsheni theorizes Nelson Mandela’s life work as a decolonizing South African narrative advocating a “paradigm of peace.” Ndlovu-

implied or stated notion of return to the ideal cultural and intellectual landscape that existed before animates some decolonizing discourses; others advocate the tearing down of colonial structures in the interest of starting anew; still others wish to borrow from colonially-introduced ideas to form their own variants.

Arab decolonization, taking place largely during the *Asr al-thawra* (“Age of Revolution”) of the 1950s, exhibited all of these tendencies. In Egypt, for example, practical decolonization was realized through destructive catharsis followed by experimental creation: after a violent incident involving British soldiers, rising anger surrounding their continued presence in Egypt escalated into the burning of Cairo in 1952, a sustained popular act of arson and looting that consumed the city, immolating three hundred sites.³¹⁸ The fire has long been deemed the final act catalyzing the British exit, leaving a triumphant Nasser and the Free Officers to construct a new, Arab socialist Egypt from the (nearly literal) ashes. More concerned with state construction than pre-colonialist ideological purity, the Egyptian project of decolonization under Nasser championed Arab identity, Arab unity, and Arab strength through a form of Arab socialism. Against this Nasserist vision, Muslim Brotherhood leaders advocated a different kind of decolonization, wishing for a return to idealized pre-modern pasts.

More broadly, during the period of 1950s and 1960s, Middle East Arab decolonization can be characterized as both practically (materially) and psychologically (ideologically) constructive. Rising nationalisms were ebullient and experimental,

Gatsheni, Sabelo J. *The Decolonial Mandela : Peace, Justice and the Politics of Life*. (New York, NY: Berghahn Books, 2016), Introduction.

³¹⁸ See, e.g., Nancy Reynolds, *A City Consumed: Urban Commerce, the Cairo Fire and the Politics of Decolonization in Egypt* (Stanford: Stanford University Press, 2012), 2.

characterized by a sense of boundless possibility and potentially infinite achievement across all sectors: national, artistic, scientific, and economic. This was the era of post-revolutionary experiments in Pan-Arab nationalism, when Nasser's Egypt combined with a Baath Party-run Syria to form the United Arab Republic (from 1958 – 1961), all the while urging Iraq to join.

The intellectual and spiritual realm of decolonization—the psychological erasure of the colonizers from the colonized—requires a sense of intellectual and cultural replacement as well as the confidence that specific philosophical and ideological orientations can be properly demarcated as foreign and others as indigenous. For those who advocate a reclamation of pre-colonial pasts, it is an assertion of heritage and authenticity; a belief in a stable group identity and orientation that can be rediscovered and reintegrated.

Decolonizing ventures are thus more than a desire to tear down or subvert the colonial through a Homi Bhabha-esque combination of cultural mimesis or hybridity.³¹⁹ They are also more than just a quest for cultural purity and an often-mythic pre-colonial state. Alongside this desire for cultural restoration is an underlying sense of hope; it is often the belief, like at Bandung, that a new, more authentic and empowered present can be structured from the foundations of the pre-colonial past. Not merely a militant rejection of colonization, decolonization is a conscious restructuring of self, of community, and of nation. And, as a direct response to colonial impositions of exterior control, decolonization has as its core social justice, ethics, and human rights as much as cultural (re)assertion. It is idealistic, reparative, and restorative in goals and scope, if as

³¹⁹ See Homi Bhabha, *The Location of Culture*, (New York, Routledge, 2004).

elusive as Anderson’s imagined communities.³²⁰ In the context of Iraq in the years immediately following British retreat, decolonization is also literal nation-state building through a conscious rejection of colonial imports. As will be argued in the next section, Al-Sadr’s works are best understood as quintessentially discourses of decolonization. They are an attempt to persuade his fellow Muslims—Sunni and Shii—of the inherent superiority of their own non-mythic Islamic social and intellectual structures by an appeal to logic.

Al-Sadr’s Decolonizing Narrative: Restoring Islam through Reason

Falsafatunā and *Iqtisādunā* take as their central premise two major issues, both of which were— not coincidentally— the primary topics for discussion in Bandung, and both of which were primary topics of local concern in Iraq: communism and economic ethics. Speaking to both secular and religious audiences, al-Sadr responds in these two volumes to both concerns, arguing forcefully against communism and advancing the notion that it is an inappropriate economic system.³²¹ If Western economics and communism are not ethically or morally correct, what is the answer? Al-Sadr does not merely state tautologically that the answer is Islam.³²² He also walks the reader through a

³²⁰ See Benedict Anderson, *Imagined Communities: Reflections on the Origins and Spread of Nationalism*, (New York: Verso, 2016).

³²¹ Later, in *Al-Bank al-la Ribawi* (1964) he would return to the practical realities of Islamic banking as a practice. This is discussed in this dissertation in Chapter Four, 179-187.

³²² The rhetoric “Islam is the answer” is not a nuanced or particularly meaningful statement because of the cultural connotations inherent to Islam. As stated succinctly by Bobby Sayyid: “Islam is the thinnest of phrases in the Muslims’ final vocabulary. It is this

practical set of examples of ways that Islamic principles can be used to restructure Western finance, rendering it requisitely Islamic and stripping it of its foreign, colonizing power. Although written separately, these two books were intended to logically flow from one another, with *Iqtisādunā* the outgrowth of the logical scaffolding constructed in *Falsafatunā*.

Falsafatunā (Our Philosophy)

Falsafatunā is a particularly intriguing text because of its ambitious attempt to respond to the encroaching philosophies of secular Enlightenment. Throughout the course of his highly prolific career, al-Sadr wrote many *fatwās* (judgments) and numerous other texts, establishing indisputably his credentials as a well-versed *mujtahid*. This was, after all, the basis by which he earned the title of *marja'*. In so doing, he demonstrated his ability as a *faqih* (scholar versed in Islamic jurisprudence), weighing current ethical and religious issues against the jurisprudential traditions and established modes of Islamic ethics. Yet *Falsafatunā* is an entirely different exercise, written in the style of Western philosophy, presumably to people with more than a passing familiarity with Western philosophy and a Western education. Instead of mounting an argument overtly based on Islamic ethics as first principles, it is an attempt to bridge intellectual traditions and to persuade the reader *through reason* that Islamic philosophy—“Our Philosophy”—is superior, both encompassing and responding to any Western offering. At over three

thinness which makes it difficult to contest. Ultimately, for Muslims, Islam is another word for ‘goodness incarnate.’” Bobby Sayyid, *A Fundamental Fear: Eurocentrism and the Emergence of Islamism* (London: Zed Books, 1997), 48.

hundred pages in the original Arabic, it is a lengthy introduction to the even longer *Iqtisādunā*. Because of its length it is dealt with briefly and thematically here, focusing on major arguments.

Falsafatunā is written in two parts with an author's introduction, included in the second and subsequent editions, that specifies the intention of the book: it is designed to respond to what al-Sadr describes as “the social problem” (*al-mushkilah ijtimā'iyah*), or the question of which socioeconomic system—capitalist, communist, socialist, or Islamic—is superior. Thus from the outset, despite its perhaps opaque initial *raison d'être*, *Falsafatunā* was intended to ground and substantiate the argument for an Islamic economics—and against communism—in broader philosophical thought.³²³ This bears some emphasis because it demonstrates al-Sadr's familiarity with the secular intellectuals and the communist Shiite students in his audience even as it shows the fundamental Muslim orientation of al-Sadr's thought: Islam is conceived by the observant as a total system, encompassing every aspect of life.³²⁴ In this frame of reference, economics, like ethics and philosophy, are all subsets of a greater whole, which is adherence to the Divine will. A discussion that opens by contextualizing economics within a broader interrogation of epistemology is thus not surprising.

Part One, Chapter One opens with just such a discussion of the nature of knowledge, turning immediately to the definition of knowledge and mental “conception” (*taṣawwur*) of ideas, and then proceeding to Platonic theories of the concept of

³²³ Al-Sadr also addressed capitalism in these works, but comparatively minimally. For example, pages 14 – 26 of *Falsafatunā* address capitalism, defining it as an ethical tragedy.

³²⁴ See Sayyid, *A Fundamental Fear*, 48.

recollection.³²⁵ Al-Sadr refutes the Platonic concept of a pre-existent soul from which we remember a form of primordial knowledge, insisting that the Aristotelian explanation of universal, rationally testable truths is a more sound explanation for our capacity for knowledge.³²⁶ He continues on through a discussion of empiricism, arguing that neither strict rationalism nor empiricism can explain the human conception of unknowable or unverifiable things like the soul,³²⁷ while acknowledging repeatedly that he does not have the space to fully unpack the many ideas that he is interrogating.³²⁸ Throughout, Al-Sadr engages philosophers and thinkers of the Western canon that were prominent during the time of his writing. Many, such as Descartes, Kant, Hume and Locke, have had lasting power in the Western philosophical and academic traditions. Others, such as Marxist-Leninist Hungarian writer Georges Politzer—who al-Sadr situates alongside Mao Tse-Tung in his analysis³²⁹ – have faded in philosophical relevance with time and with the fall of the U.S.S.R.³³⁰

After summarizing epistemological theories of knowledge and finding them wanting, al-Sadr argues instead for what he calls the (Islamic) “theory of dispossession” (*naḍharīya al-intizā’*). In brief, al-Sadr states that knowledge is formed from two inseparable

³²⁵ *Falsafatunā*, 55.

³²⁶ See 58.

³²⁷ *Ibid*, 60, 62.

³²⁸ See, e.g., 61, 67. This acknowledgement indicates awareness of some of the book’s weaknesses, though it does not rectify them.

³²⁹ *Ibid*, 62-63.

³³⁰ This is likely one of the reasons that these two works of al-Sadr lack prominence today. His tendency to respond directly to communist thinkers of his day immediately dates the works.

elements: the “primary conception” of something— as in conceiving heat through touch, or color through vision—and the “secondary conception,” or the use of this knowledge to make judgments and begin to form ideas.³³¹ Al-Sadr argues that Islamic dispossession theory—this fundamental ability to make judgments and build knowledge—is inherently rational and testable through logic. And, he claims, Islamic thought and Islamic social systems as a whole are founded in this rational thought, whereas Marxist thought is founded in merely experimental, empirical thought.³³² The former, he argues, is clearly superior.

Al-Sadr offers the claim that syllogistic reasoning is a superior means to establish rational claims, all part of the Islamic theory of dispossession, and then follows with a series of syllogisms in a critique of empiricism. For example, he argues that (the syllogisms are abbreviated here): 1) empirical (or experimental) thought assumes no a priori knowledge;³³³ therefore 2) any metaphysical exercise is impossible to an empiricist.³³⁴ Second, 1) empirical (or experimental) thought cannot independently confirm the existence of matter, which is a rational proposition; therefore, 2) empirical thought lacks basic determinative abilities.³³⁵ Third, 1) empirical (or experimental) thought cannot confirm the impossibility of a thing because determining that something is impossible is outside the realm of experiments and is instead limited to logic and rational thought; therefore, 2) empiricism, logically thought through, leads to “the collapse of all knowledge

³³¹ *Ibid*, 69 – 70.

³³² *Ibid*, 77.

³³³ *Ibid*, 78.

³³⁴ *Ibid*, 77.

³³⁵ *Ibid*, 79

and science.”³³⁶ Fourth, causality cannot be affirmed by empiricists, a fact that Hume and John Stuart Mill have acknowledged.³³⁷ Al-Sadr nuances his argument, stating multiple times that it is clear that scientific experiments offer a great deal for the advancement of human knowledge, while still affirming that only rationalism, rooted firmly in mathematical logic, can serve as the basis of a sound epistemology.³³⁸ After establishing his reasoning for eschewing empiricism, al-Sadr spends most of the remainder of *Part One*, Chapter One quoting different Marxists, including Lenin,³³⁹ Mao-Tse Tung,³⁴⁰ and others, and establishing that they are, in fact, empiricists.

Part One, Chapter Two continues in this ambitious attempt to mount a comprehensive, rationally-based Islamic philosophical system that rebuts the claims of Marxism. Yet, again, al-Sadr emphasizes his need for concision and brevity; given the enormous breadth of his project, significant limitations are required. Al-Sadr then composes, summarizes, and weighs the rational merits of a list of major Western thinkers and schools of thought, each of them brought to Iraq and to Arabic through the *nahḍa*. Thus, after summarizing the main contributions of major thinkers in Western philosophy from the Greeks forward, including Plato and Aristotle, Gorgias, Socrates, Descartes, and Locke³⁴¹—itself a formidable undertaking—Al-Sadr turns to schools of thought, including George Berkeley’s philosophical idealism³⁴², “physical idealism” (or the thought of early

³³⁶ Ibid, 85.

³³⁷ Ibid, 86.

³³⁸ Ibid, 92.

³³⁹ Ibid, 104

³⁴⁰ Ibid, 97.

³⁴¹ Ibid, 102 – 110.

³⁴² Ibid, 111.

nineteenth- and twentieth-century physicists)³⁴³; skepticism, under which he lists Pyrrho and Hume³⁴⁴; behaviorism³⁴⁵; relativism, including a lengthy section on Kantian relativism³⁴⁶; Freud³⁴⁷; and, finally, the philosophy of the U.S.S.R., dialectical materialism.³⁴⁸ Returning to his initial premise, he argues that dialectical materialism is founded on empiricism and is thus not ultimately viable as a system. This exhaustive section is not quite thorough and detailed enough to serve as a proper philosophical primer to Western thought, but it demonstrates al-Sadr's keenness to show the breadth and depth of his engagement, and his awareness of the secular Western offerings available to his countrymen and women.³⁴⁹

While clearly a great deal can be said about this wide-ranging and extremely ambitious text, a few items are noteworthy for our purposes: First, *Falsafatunā* has been the subject of critique from the small handful of scholars who choose to address it, most of them claiming that it is not a particularly impressive or original philosophical work.

³⁴³ Ibid, 122.

³⁴⁴ Ibid, 143.

³⁴⁵ Ibid, 143.

³⁴⁶ Ibid, 142.

³⁴⁷ Ibid, 149 – 150.

³⁴⁸ Ibid, 169.

³⁴⁹ The remainder of *Falsafatunā* in *Part Two* continues in this vein, divided into four sections that 1) posit an objective reality; 2) critique Hegelian dialectics; 3) argue for the necessity of a principle of causality; 4) exploring the concept of causality and modern physics – including Einstein – as they relate to the existence of God; and 5) return to the original discussion of the nature of knowledge. Throughout, Marxism and Marxist thinkers –from Stalin and Lenin and Engels to lesser-known philosophers and academics like Roger Garaudy, Henri Louis Bergson and F.C.S. Schiller to thinkers like John Dewey and Henry James— are the foils off of which al-Sadr constructs his arguments.

Those who are familiar with it, foremost among them scholar Chibli Mallat, acknowledge that these philosophical shortcomings are partially a result of the source materials that al-Sadr had available to him, largely Arabic translations (and partial translations) of different Western philosophical and communist thinkers.³⁵⁰ This problem also influences the first section of *Iqtisādunā*. Second, Al-Sadr's decision to situate the thought of minor philosophers like Garaudy on a par with the more enduring thought of Marx and Engels makes his arguments less salient over time. However, his reason for doing so, noted earlier, should be underscored here: he was dialoguing with the main authors that people of his day were reading, not positioning them according to his perception of their philosophical merit.³⁵¹ More problematically, his underlying axiom that all of Marxist thought constitutes—or should constitute—a logical whole in order to be of value limits his work. Nevertheless, it is this insistence on philosophical coherence—on a totalizing, comprehensive way of conceiving the world—that marks the ambition and the inherent Islamicity of his undertaking.³⁵² Finally, it must be noted that *Falsafatunā* is less powerful as a work because its thematic through-line is negative, seeking more to disprove the validity of Marxism as a philosophy than to build up an alternative philosophy.³⁵³ His second work, narrower in scope and nearly double in length, would rectify this.

I suggest that this first text of an intended trilogy is better evaluated apart from the question of its relative philosophical merit. This is a singular, unusual, difficult-to-place

³⁵⁰ See, e.g., Mallat *Renewal*, 147.

³⁵¹ Cf. Chapter Two, 113-115.

³⁵² Cf. this chapter, footnote 324.

³⁵³ This was also noted by Mallat, 162.

work, falling outside of traditional parameters, Western or Islamic. Instead, writing at the moment of the July Revolution as the British were finally leaving and communist sentiment was rising, al-Sadr was attempting one of the first truly decolonizing texts of Iraq, and perhaps of Shiism. Calling upon the impressive extent of Islamic intellectual tradition, al-Sadr was carefully—but succinctly—writing for Iraq and even Islam as a whole, establishing its rational intellectual weight as superior to any introduction from the West, whether through colonial or communist intervention. His insistence upon engaging so many fundamental Western thinkers was by design, an intentional refutation as he championed the resilience and continued relevance of the original intellectual system of his ancestry. This was a work, however flawed, of deracination, designed to pull communism and colonialism up by their roots and to remind the Iraqi public of a proud imagined pre-colonial past. When coupled—as intended—with *Iqtisādunā*, it was also a quintessentially decolonizing narrative of imagined futures: not just critiquing and philosophically destroying the corrupt past and usurping communist and colonialist present, but creating a new, hopeful imaginary of an ideal Iraqi future. Thus, rather than conceive of *Falsafatunā* as an uncharacteristic or ill-conceived venture into Western philosophy, it should instead be examined as a primer to *Iqtisādunā* and the first third of a never-finished trilogy of decolonizing works, written for the broadest possible audience—observant and non-observant, Sunni and Shia, Western-educated and traditionally-educated—and centered on building a new society even as it sought to vanquish the specter of communism.

Iqtisādunā (Our Economy)

Iqtisādunā was written after *Falsafatunā* in quick succession, its first edition appearing in 1961, only two years after *Falsafatunā*, and thus also likely composed in the late 1950s. Like its predecessor, it is written in two parts, and, like its predecessor, the entire first part is a polemic against Marxism. At double the first volume—seven hundred pages—*Iqtisādunā* is an intimidating length. As such, after a brief summary of part one, only the most salient and relevant themes will be addressed here.

Al-Sadr begins his analysis by situating Marxism within the framework of historical materialism, then critiquing the concept of materialism as the sole driver of sociohistorical change.³⁵⁴ Arguing that Western philosophical tools are in the main inadequate to the task of evaluating Marxist theory, al-Sadr again introduces dialectical materialism (the primary philosophical approach of the Soviet to communism) insisting that Marxist historical dialectic is spurious because “the result contradicts the method.”³⁵⁵ After attempting an exhaustive evaluation of Marxism according to historical materialism, offering philosophical, psychological, and scientific readings, al-Sadr contends that there must exist a different, “higher criterion” of analysis.³⁵⁶ He continues with a rather singular critique of Marxist thought’s ability to “comprehend history” in its entirety, singling out religion, philosophy, scientific knowledge, class conceptions, aesthetics, and physical tastes as each larger than the sum of their respective parts and inadequately encompassed by the narrowness of Marxism.³⁵⁷ As in *Falsafatunā*, al-Sadr’s

³⁵⁴ See pages 29 – 51.

³⁵⁵ *Iqtisādunā*, 27

³⁵⁶ *Ibid*, 69

³⁵⁷ *Ibid*. See 69 – 121.

concern with an all-encompassing approach to a philosophy of history demonstrates his Islamic worldview, in which a whole philosophy is a godly philosophy, as Islam by nature is both unified and unifying of all aspects of life.³⁵⁸ Al-Sadr further argues that, throughout history, no communist society has ever functioned, pointing to primitive communism, slavery, feudalism, and the historical lack of successful long-term transformative communist revolution.³⁵⁹ Part One ends with a shift in analysis to Marxism as creed, setting the tone for a theological comparison between Islam and Marxism, and including socialism in the critique for the first time.³⁶⁰ Like *Falsafatunā*, this lengthy critique of Marxism suffers most because of Al-Sadr's inadequate Arabic source materials, making the analysis relevant not as a serious philosophical contribution, but as an indicator of the historical moment of its writing and of the kinds of texts that were available to Arab Marxists of Al-Sadr's day.

Part Two of *Iqtisādunā* marks an abrupt change in both tone and analytics, from a Western-styled philosophical treatise to a text written far more in the style of Islamic exegesis. This is by far the most complex and original part of the work, as Al-Sadr was in many ways forging his own path in terms of *fiqh* (jurisprudence), as he himself notes. This “Islamic portion” of the text itself remains framed yet again as part of his relentless refutation of Marxism, much to its conceptual and analytical detriment; this explicit response to socialism and communism, though understandable when placed in historical context, forestalls discussions of economics and finance that are not direct responses to a Marxist and Soviet model. This is doubtless the reason that, while capitalism is addressed

³⁵⁸ See *Iqtisādunā*, 271.

³⁵⁹ *Ibid*, 121 – 137.

³⁶⁰ *Ibid*, 208 – 224.

in this text, it receives comparatively short shrift. Nevertheless, it is detailed, thoughtful, and rigorous, and—perhaps most important—it sets forth quite clearly much of the analytical and theological scaffolding upon which the later Islamic financial industry would be based, as we shall see in Chapter Four.

This portion of the book is structured quite loosely according to sections primarily concerned with production, ownership, and distribution. Because this is a loose combination of sections, lacking an overall argument beyond specific discussions of those topics, it does not lend itself easily to summary. As such, three central and relevant (and occasionally overlapping) themes will be discussed here: points of Islamic uniqueness (between Islamic economics and other economic systems); Islamic economics as creed; and Islamic economics and the state.

Points of Uniqueness: Implications of Social Justice

Al-Sadr asserts an essential theoretical and methodological point of difference between Islamic economics and other systems in a subsection acknowledging that economics is premised upon the goal of social justice and thus is not a science.”³⁶¹ As a theologian, al-Sadr’s approach to Islamic economics is quintessentially theological and avowedly Muslim, an expression of the goal of *fiqh* (Islamic jurisprudence) from its inception: Islamic economics has as its primary aim the discovery (*kashf*) of the Divine will through careful study of the Qur’an, the Sunna and the Islamic jurisprudential

³⁶¹ *Iqtisādunā*, 290.

traditions.³⁶² Islamic economics is an attempt to *change* reality, not an attempt, like Marxism, to *explain* it.³⁶³ Thus freed from scientific constraints, Islamic economics can focus primarily on its ethical framework as a means of realizing social goals.

Because Islamic economics is not a science, it utilizes a unique methodology underlined by a specific set of axioms.³⁶⁴ These include, first, as noted above, defining Islamic economics as a *madhab* (doctrine, school) as opposed to an *‘ilm* (science). In other words, Islamic economics is intended to reveal the right economic system rather than to clarify the reasons undergirding economic change, and should not be compared with the work of the likes of Adam Smith.³⁶⁵ Second, Islamic economics is centered upon the concept of social justice. Other systems of organization, including socialism, do not explicitly contain a provision for caring for the needy. Thus, Al-Sadr argues, while questions of private property, economic freedom, or the nationalization of the means of production lie squarely under its purview, questions of the law of supply and demand do not.³⁶⁶ Third, Islamic law points the way to Islamic economics. Al-Sadr first notes that laws are designed to structure economic exchange, and he accepts axiomatically that Islamic law is the superior way to do so.³⁶⁷ Fourth, as noted above, Islamic economics is centered on the *discovery* of the right path, rather than an attempt to construct this pious path from scratch. Nevertheless, al-Sadr emphasizes the necessity of *ijtihād* as the correct

³⁶² Ibid, 291. In other words, this is an explicit work of *ijtihād*.

³⁶³ Ibid, 291.

³⁶⁴ I am indebted here to Chibli Mallat’s helpful summary of these four major points, in *Renewal*, 121 – 123.

³⁶⁵ *Iqtisādunā*, 338.

³⁶⁶ Ibid, 339.

³⁶⁷ Ibid, 342 -44.

methodology to discover the proper contours of Islamic economics, even while acknowledging the likelihood of some inherent subjectivity in the process.³⁶⁸

Al-Sadr further singles out several theoretical points of difference between Islamic economics and both capitalist and Marxist models, setting them up as first principles. Among the most important, he argues, is the nature of property itself. Capitalist societies, he claims, consider private property among their most fundamental principles, with nationalization of property the exception to the rule. Socialist societies invert this notion, considering common (*ishtirakīya*) property their first principle, and only allowing private property as the exception. Islamic societies follow neither path, adopting a notion of property that can take various forms,³⁶⁹ private, public, and governmental (*milkiyāt al-dawla*).³⁷⁰ Al-Sadr further asserts that certain forms of economic behavior are carefully structured by the *sharia*. These include forbidding *ribā*, (or usury, often considered interest-based banking), monopolies, and financial fraud. Furthermore, no leader is entitled to intervene or change these laws by, for example, charging interest or altering Islamic inheritance law.³⁷¹

³⁶⁸ See *Iqtisādunā*, 359- 384.

³⁶⁹ Mallat translates al-Sadr's Arabic here, *muzdawijā*, (meaning "doubled" "dual" or "twofold") as "multifold," presumably to explain al-Sadr's tripartite explanation of forms. See *Renewal*, 114.

³⁷⁰ See *Iqtisādunā*, 258 – 259.

³⁷¹ *Ibid*, 262 – 263. According to Islamic law, inheritance is fixed according to one's relationship with the deceased. One of the only ways around this, historically speaking, was the establishment of *waqf* endowments, which occupy minimal space in al-Sadr's treatment.

A second theoretical point of difference, this one between Marxism and Islamic economics, concerns the Marxist assumption of a direct historical corollary between development in operations and modes of production and development in social and distributive relations.³⁷² Al-Sadr argues that, according to Islam, there is not necessarily a direct connection between economic life and social life, as both can occupy different spheres. Specifically, he insists that modes of operation and production can change and develop without altering social relationships or social systems.³⁷³ Furthermore, social life in Islam itself is governed by different laws, those providing for basic needs— eating, sleeping, etc.—and those allowing for secondary needs, exemplified by a leader allowing new legislation to respond to societal needs.³⁷⁴ The relationship of this area of social economic law to the means and modes of production are arbitrary at best. Finally, he argues, Islamic history itself points to the failure of Marxist historical materialism, as early Islam established equality in Mecca and Medina without the need of communist revolution. The issues brought up here—those of human need (*haja*) or social justice as essential elements of Islamic economics³⁷⁵—will be returned to in the section on Islamic economics as creed.

Finally, a primary point of theoretical difference between Islamic economics and other systems relates to distribution and production— terms that al-Sadr doubtless uses because of their connection to Marxism— and their relationship to labor and ownership. Discussion surrounding the various permutations of jurisprudential rulings on this final

³⁷² *Iqtiṣādunā*, 296.

³⁷³ *Ibid*, 297.

³⁷⁴ *Ibid*, 299.

³⁷⁵ *Iqtiṣādunā*, 308.

point comprises the vast majority of *Iqtisādunā*. Al-Sadr's use of Marxist terminology to describe Islamic economics is, unfortunately, rather confusing, as his framework for Islamic economics is actually quite distinct from that of Marxism. Nevertheless, a brief summary is included here in order to give a sense of the kind of argumentation that al-Sadr was making.

Al-Sadr states that Islamic economics includes two main theoretical principles, the theory of distribution before production (*nadhariyya tawzi' mā qabl al-intāy*) and the theory of distribution after production (*nadhariyya tawzi' mā ba'd al-intāy*). Regarding the former, al-Sadr explains that Islam negates the notion of primary private property rights that are unrelated to labor.³⁷⁶ In other words, value and ownership derive from labor, not from property itself. As a result, labor is the means through which one gains the acquisition of rights to natural resources.³⁷⁷ He then gives examples of how this applies to practical ownership, each of which indicates jurisprudential differences regarding the kind of land or property being utilized. (All of these examples center upon natural resources, reflecting, no doubt, the era in which much of the jurisprudential traditions evolved.) For example, fallow or unproductive land, if revived by a laborer, will then belong to said laborer, precluding any prior claim. On the other hand, a mine, if found, will give the person who found it rights to materials therein, yet another person discovering the same mine from elsewhere will have the same rights. Water can belong to no one, as a person who digs a well is entitled to use it but not to prevent others from accessing it.³⁷⁸ Thus, labor and ownership are inextricably linked, with labor the factor that entitles one to

³⁷⁶ Ibid, 474.

³⁷⁷ Ibid, 476.

³⁷⁸ Ibid, 479 – 481.

ownership, yet a system of justice regarding access to resources is also in play. By describing this as “distribution before production,” al-Sadr is, in essence, using Marxist terminology to explain that Islamic law regarding the ownership of natural resources is fixed and independent of the concept of private property.

What al-Sadr dubs “distribution after production,” on the other hand, is a much more complex area of Islamic economics. This is the area that deals with questions of ownership when, for example, two people are hunting or fishing together and cannot determine how to divide the spoils, or a person hires someone to fish or fetch wood on his or her behalf, or a person loans another person a net to catch fish, or other such issues. The general theory that al-Sadr derives from these issues, after a lengthy examination of different jurisprudential writings, is that the person who does the hunting, fishing, and gathering is the owner of what is gathered, meaning that it is not permissible to hire someone to do those acts. However, if one borrows a tool in one’s labor— say, a net to catch fish— one owes the owner of the tool a form of rent payment.³⁷⁹

These rules render capitalist systems nearly impossible, a fact that al-Sadr acknowledges in the midst of this anti-Marxist work. If a capitalist hires laborers to extract oil or cut wood, he notes, the oil and wood will, according to Islamic law, belong to the laborers themselves.³⁸⁰ Further, capitalism combines two categories of wealth that are

³⁷⁹ Ibid, 527.

³⁸⁰ 526. Despite its primarily anti-communist focus, *Iqtisādunā* frequently uses capitalism comparatively, even including a short section of around fifty pages refuting capitalism in the midst of its heavily anti-Marxist analysis. The lack of equal focus on capitalism is likely a result of its lack of popularity among al-Sadr’s co-religionists and countrymen,

considered separate in Islamic law— productive wealth and monetary wealth— into its own categories of interest, salaries (wages), rent and profit.³⁸¹ Islam cannot accept these blurred distinctions and re-categorizations that do not take into account the means of acquisition of a natural resource – labor – when assigning ownership.³⁸² It is of note here that capitalism occupies only a minimal amount of space in *Iqtisādunā*. At only around fifty pages, it is a pittance compared with the amount devoted to Marxism. In addition to al-Sadr’s choice to respond to the popularity of communism among his fellow Iraqis, this can be attributed to al-Sadr’s understanding of the relationship of capitalism to social justice: Unlike Marxism, capitalism makes no claims to being an inherently ethical system, and is thus far less likely to be persuasive as a moral system to practicing Muslims.

Islamic Economics as Creed

As noted above, al-Sadr does not claim that his is a scientific theory. Instead, he argues that Islamic economics is a form of religious practice; another portion of the right path that the pious have yet to fully discover and enact. He further devotes a section to the under-theorization of economics in the *fiqh* (jurisprudential) literature, describing his process and acknowledging the inherent subjectivity of *Iqtisādunā* as a work of *ijtihād*.³⁸³

Among his strongest reasons for advocating an Islamic economics is the underlying Islamic principle of social justice: Islamic economics is first and foremost a

itself a reflection of anti-colonial sentiment. In addition, capitalism’s focus on money for its own sake renders it inherently unethical and easy to refute in Islamic economics, a fact that would lead to complications for later banks operating in a capitalist system.

³⁸¹ 522.

³⁸² 524.

³⁸³ 335 - 384

system of ethics designed to ensure a just distribution of resources. This appears most strongly in his concern that socialism does not have an inherent structure to care for those in need.³⁸⁴ Anticipating his later work on banking, Al-Sadr points to Islamic ethics further by critiquing the largely capitalist question of monetary circulation, emphasizing that money itself should not become a commodity. Capitalism, in this view, uses money as an end in itself rather than for the good of society. Islam, however, has already prescribed the solution to such greed by requiring taxes (*zakāt*), prohibiting interest (*riba*), and allowing for the intervention of a just ruler.³⁸⁵ Indeed, the totality of the system, al-Sadr argues, is designed to implement structures that prevent the rich or powerful from preying on the weak. Science, for all of its benefits, can do nothing to resolve the conflict of interests between a rich man seeking a monopoly and the poor who would suffer from it. The ethical underpinnings of an Islamic economics as creed are the answer.³⁸⁶

Islamic Economics and the State

Al-Sadr ends *Iqtisādunā* with a discussion of the role of the state in the economy, significant in part because of the clues it offers for the intended final, never written—or, at least, never discovered—book in his trilogy, *Mujtama’ana*.³⁸⁷ Al-Sadr acknowledges a lacuna (*faragh*) in Islamic legal tradition regarding the role of the state in Islamic economics, emphasizing that there is no clear jurisprudential tradition or set of

³⁸⁴ 313.

³⁸⁵ Ibid, 322 – 331.

³⁸⁶ See 281 – 284.

³⁸⁷ A book of Al-Sadr’s lectures, hastily compiled and transcribed, was published under this title in 2008. It does not appear to be the original intended book despite the title.

prescriptions that lays down the precise ways in which a Muslim society should organize its economy.³⁸⁸ Arguing that the lacuna is intentional, an indication of inherent strength and flexibility of the Islamic theological framework, al-Sadr concludes that the jurisprudential lack has allowed different Muslim societies in different epochs to establish their own economic systems along general ethical principles according to their own idiosyncratic needs.³⁸⁹

The state is an inextricable element of al-Sadr's system. He argues that the purpose of the state is to protect and provide security for society by levying taxes and requiring *zakāt* of all citizens. Asserting that a just state run by a pious ruler is paramount, he posits an ideal system in which this ruler would have the power to intervene in the cause of social justice, instigating great projects that will prevent those who are so inclined from hoarding their wealth,³⁹⁰ and ensuring the proper distribution of goods and labor in society to establish justice.³⁹¹

Thus, *Iqtisādunā* stands as a unique, original work of *ijtihād* through which Muhammad Baqir al-Sadr sought to find a clear structure and set of principles guiding right economics. He did so by carefully evaluating the rulings of various jurists over matters relating to property ownership and monetary use, looking for consistent patterns in the rulings in order to establish an ethical Islamic economic superstructure. This is an example of modern systematic theology in an Islamic context.

³⁸⁸ 653.

³⁸⁹ See 652 – 658.

³⁹⁰ *Ibid*, 600.

³⁹¹ *Ibid*, 626 – 37.

While Marxism serves as al-Sadr's constant preoccupation, dating the text and limiting its utility in some respects, it also clearly serves an important function in al-Sadr's thought: Marxism was the foil that led him to think probingly and religiously about the economic issue itself. Al-Sadr's concerns with communism's perceived rational, historical, and ethical failings were the direct catalyst not only for his critique, but for his constructive questions about what *would* constitute a rational, ethical, and ideal historical system. Furthermore, Marxism's theoretical structures of distribution, production, and ownership –and their failings, in his view – were the basis from which he was able to begin constructing his own theoretical structures of an ethically coherent Islamic economics. In fact, though he does not state this explicitly, it seems likely that al-Sadr's vigorous critiques of Marxist philosophy in *Falsafatunā* as inherently empirical and therefore irrational are what led him to carefully couch his theoretical response in purely ethical and theological (un-scientific) terms; it is quite clear that al-Sadr had doubts about economics as a legitimate science to begin with.

Moving away from religious and philosophical concerns, there are several notable choices in this text, each of which marks it as a unique product of the historical forces already addressed, and each of which makes it not just a *tour de force* on Islamic economics, but also a distinctly decolonizing text. First, *Iqtisādunā* is nothing short of remarkable for its lack of clear sectarianism. Though Al-Sadr does cite Shiite scholars to make his points, he references just as many Sunni clerics, incorporating the work of *fuqaha* (Islamic scholars

of jurisprudence) from each of the four main Sunni *madhabs*.³⁹² This is, in other words, a decidedly ecumenical work; even though it champions Islam as the most moral means of structuring the economy, it does not single out Shiite practices or scholars in a way that marks it as uniquely or exclusively Shiite. Especially in his discussion of the need for *ijtihād*—a concept which, it will be recalled, had become increasingly associated with Shiism in the popular Muslim imagination by the nineteenth and twentieth centuries—he writes carefully, even persuasively, cautioning that there may be other interpretations of a right Islamic economics but that such interpretive flexibility is to be expected.³⁹³ Clearly his intended audience extended far beyond his sectarian circle.

Indeed, by framing his work in this way, al-Sadr is operating on multiple levels, each of which has a clear decolonizing goal. Perhaps most obvious, by emphasizing the social justice component of Islamic economics and by not just situating it against Marxism, but also couching it in Marxist terms, al-Sadr is speaking directly to Arab Marxists, secular and Muslim, in their language. This is an argument that states, essentially, that any social justice benefit one may see in Marxism or socialism is already found in Islam—that, in fact, the entire Muslim system is centered upon social justice and is therefore superior in conception and application. By avoiding overtly sectarian terminology and balancing his jurisprudential references, he underscores the Islamic credentials of his theory while maintaining the universalist ethos of his work: this is

³⁹² Andreas Rieck groups all of al-Sadr's sources, including Qur'anic verses, hadith and *fiqh* references, and Sunni and Shii authors (largely jurists) in his German translation for easy reference. See his *Unsere Wirtschaft: Eine gekürzte kommentierte Übersetzung des buches Iqtisādunā von Muḥammad Bāqir al-Ṣadr* (Berlin: Klaus Schwarz Verlag, 1984), 82 – 97.

³⁹³ 359 – 384. For more on *ijtihād*, see Chapter 2.

designed to carefully, rationally persuade those from a variety of educational and religious backgrounds of the superiority of the Islamic system. Al-Sadr is not just arguing for the superiority and continuing relevance of Islam, however—though he is doing that. By writing against Marxism and for Islam he is working to persuade his fellow Arab Muslims that they need not cast about for any foreign idea—anything they need, in terms of philosophical framework, socioeconomic system, or ideological orientation, is already found in the theological and philosophical works of their home culture. By constructing his argument slowly, painstakingly, beginning in *Falsafatunā* with epistemological assertions and building through syllogism, al-Sadr is answering every foreign interpellation with rationalism and measured pride, signaling to his readers that they do not need to look elsewhere. Superior intellect, philosophy, ideology and statecraft were always here, embedded in the structures of their own system. By returning to Islam, the impositions of the colonizers—both material in the form of finance houses and government bureaucracy and psychological in the form of philosophical and ideological innovation—may be eschewed with due confidence. Written after the British left Iraq, al-Sadr is advocating a decolonization of the mind without so much as explicitly naming colonialism.

Thus, despite his bona fides, al-Sadr did not write *Iqtisādunā* with a limited Shiite audience in mind. Combined with *Falsafatunā* (as al-Sadr intended), this is a sweeping work designed to prove to a wide audience, believer and non-believer, of the failures of Marxism and the superiority of Islam. Furthermore, it seeks to do so through logic, building the case through a combined thousand pages that all worldly knowledge can be compiled, sifted, and judged rationally through an Islamic lens, and arguing that a unified

Islamic system at the level of economics and governance is the answer to social ills of every stripe.

When contextualized alongside Bandung and the rising *taqrīb* and Pan-Islamic political movements—recall that *Iqtisādunā* was written during the time period of the United Arab Republic (1958 – 1961), when Pan-Arab and Pan-Islamic ideas were at their regional heyday³⁹⁴ — this intention for a broad Muslim audience is underscored. Al-Sadr, perhaps one of the most politically and intellectually attuned clerics of his day, was responding to a local Marxist and Shiite crisis without question. But he had also heard the call of his countrymen at Bandung, voices that decried colonialism and communism and asked for a homegrown Islamic solution, and with his clerical cohort he was stepping up to engage fully in Iraqi and regional politics.

This was a moment of restoration and reinvigoration of a long-established intellectual and theological tradition: reassertion of Islamic identity through creative and innovative intellectual engagement in the form of *ijtihād*. As part of this quintessentially Iraqi decolonization dialectic, al-Sadr's work was a clear insistence that the answer was already there, in Islam, and that it always had been. No European import, properly interrogated, could stand up. Today, *Iqtisādunā* can rightly be called the historical fulcrum in the development of a viable Islamic economics: from the time of its writing, a clear vision began to take hold of an Islamic economic potentiality. Thus, while colonial interference, Marxist infiltration, and increasingly violent clerical reactions were the spark that gave rise to al-Sadr's feverishly urgent response in *Falsafatunā* and *Iqtisādunā*, his work is nevertheless creative and constructive, comprising the first stages of a proposal

³⁹⁴ See, e.g., James Jankowski *Nasser's Egypt, Arab Nationalism, and the United Arab Republic* (Boulder: Lynne Reiner Publishers, 2001).

envisioning a bright, restored, reclaimed, decolonized and unified Islamic future. This is a work of hope.

Yet *Iqtisādunā* was not yet fully explicit in its decolonizing intentions, and al-Sadr's ideas of an Islamic economics were not fleshed out in terms of practical implications. It would take nearly another decade before the full weight of decolonization and Islamic economics would become entwined in the form of Islamism, with Islamic banking its manifestation.

Chapter Four: From Idea to Reality: Decolonization, Islamism, and Islamic Banking, 1968 – 1975

This final chapter makes the case that the turn to Islamic banking in practice in the 1960s—early 1970s in an extension of the broader rise of Islamism, contending that Islamic finance and Islamism mutually informed and constructed one another, each a form of Arab decolonization. It was during this period of post-1967-War regional transition that theorist of Islamic economics Iraqi cleric Muhammad Baqir al-Sadr wrote two more tracts, each of which captured the spirit of the time and advanced the possibility of a realized Islamic banking: a new preface to the second edition of *Iqtisādunā* (1968) and a practical how-to manual on Islamic banking *Al-Bank al-lā-Ribawi* (*The Usury-Free Bank*, 1969). These two texts are presented and contextualized here in their broader social and intellectual milieu, demonstrating the psychological and emotive power of Islamic banking during the regional shift to Islamism. Whereas the original texts of *Iqtisādunā* and *Falsafatunā* were artful and subtle, leaving their decolonizing agenda implied but unstated, these later texts were defiant in their dissent. Colonialism and its residual evils are explicitly called out in *Iqtisādunā*'s second edition preface, while in *Al-Bank al-lā-Ribawi* (*The Usury-Free Bank*), capitalist banking models are offered as the formative spark off of which practical Islamist finance can be realized and spread. Under al-Sadr's and other's intellectual guidance and in keeping with the resurgent Islamist sentiment of the

time, Islamic economics made its transition from amorphous theoretical construct to practical reality by the mid-1970s. By 1975, the first banks designed around Islamic policies were attempted, marking the end of the formative period of Islamic economics.

As the idea of Islamic economics became more diffuse and popularized, it simultaneously entered the mainstream of Islamist thought. The Middle East cultural focus of the late 1960s and 1970s changed dramatically, morphing from a 1950s- and early-1960s decolonizing narrative characterized by cultural reassertion and nationalist discovery to one of Islamist retrenchment and a desire to return to mythic pre-modern pasts. Salafi ideas, long percolating and expanding out of places like Saudi Arabia, took center stage as Muslims explicitly turned away from imported economic and political models with the rallying cry “We tried capitalism and it failed, we tried communism and it failed, now is the time for Islam!” Islamic economics, made real in the form of Islamic banks and Islamic financial products, became a practical means through which decolonizing cultural identity could be articulated and openly expressed. The rise of Islamic banking in the Middle East in the late 1960s and early 1970s served more than a pious religious rationale: It also served as a springboard for Muslim solidarity at the level of the psyche, informing Islamism as much as being shaped by it. Quintessentially cultural in conception and appeal, Islamic banking in practice shifted away from the philosophical and intellectual grounding of al-Sadr’s *Iqtisādunā* even as it relied upon it for its original justification in the zeitgeist. In so doing, Islamic banking became a decolonizing touchstone of Muslim identity.

First, a few items must be noted. Thus far, this dissertation has focused primarily on the economic thought of Muhammad Baqir al-Sadr, detailing the ways that historical circumstances shaped his ideas and contributed to his economic message. The Shiite

transnational community's discussions, debates, educational transformations, and material concerns during the rise of nation-states have been used to situate and, to a certain extent, to represent broader cross-sectarian regional discussion. This is because, though Shiite Arab concerns were particular and unique, the product of specific historical, intellectual, theological, and political circumstances, many elements of al-Sadr's thought and context are nevertheless generalizable across sectarian lines. These elements include, among others, his assertion that neither capitalism nor communism nor socialism is requisitely Islamic, his condemnation of *ribā* as Western conventional banking's largest detraction, his focus on social justice and communal ethics as hallmarks of an integrated Islamicity, and his advocacy of a decolonized, independent Muslim community. In other words, the question of Muslim pious living in an era of Western conventional banking was a common one throughout the lands of the Muslim Middle East, Sunni and Shii, from the time of the introduction of Western conventional banking in the nineteenth century.

Concerns about economics practices were furthermore *always* entangled with broader questions about the regulatory and legal frameworks of the state in a post-Ottoman, post-Caliphate world; one could not have a proper Islamic finance or an Islamic economy outside of the framework of an Islamic government to regulate taxes and alms.³⁹⁵ Yet Islamic government itself was a hazily defined concept, a matter of

³⁹⁵ This question of the ideal Islamic state, in fact, tended to overshadow the conceptual concerns of an Islamic economics in many early writings, as the latter would understandably derive from the former. This is likely the reason that Islamic economics is rarely considered as a separate intellectual issue in historical works; broader concerns of the Islamic state eclipsed those concerns.

constant debate throughout the twentieth century, particularly during the era of decolonization and independent nationalisms. And the existing secular Middle East nation-state itself was intimately, irrevocably tied to colonialism, the literal product of colonial-era foreign mapmakers.³⁹⁶ Questions of right polity, then, and the role of Islamic economics as part of that deeper question, are mutually imbricated. This issue of Muslim independence and Muslim self-governance and self-regulation, central to the state, is inherent to what makes Islamic economics a touchstone for broader conversations about decolonizing societal reclamation, Sunni and Shii. The general concerns of secularization, statecraft, and solidarity through political representation that embroiled al-Sadr's Shiite community of Iraq, therefore, were mirrored in different communities throughout the broader Middle East as they grappled with colonialism's legacy, rising nationalisms, and identity; Shiite circumstances in al-Sadr's Iraq were in many ways a specific case study of broader trends. The concern that Muslim tradition could not (or should not) accommodate a Western model had been voiced frequently, and with various levels of erudition, throughout the Sunni world for decades. How did Islamic finance make the shift from an idea of intellectuals to practical reality? In no small measure, it was due to the regional shift of 1967.

³⁹⁶ See, e.g., Robin Wright, "How the Curse of Sykes-Picot Still Haunts the Middle East," *The New Yorker* (April 30, 2016).

The Setback: 1967 and the Rise of Islamism

Intellectual historians of the post-colonial Middle East often divide the twentieth century along one major fault line: the 1967 Six-Day War, or *naksah* (setback).³⁹⁷ Up until that point, broad Arab public sentiment surrounding decolonization, rising nationalisms, and self-determination was ebullient and experimental, characterized by a sense of boundless possibility and potentially infinite achievement across all sectors: national, artistic, scientific, and economic. This was the era of post-revolutionary experiments in Pan-Arab nationalism, when Nasser's Egypt combined with a Baath Party-run Syria to form the United Arab Republic (from 1958 – 1961), all the while urging Iraq to join. Leaders of popular revolutions region-wide—particularly Nasser—had not yet lost their burnished image in the public imaginary, and the hard clamp of autocratic leadership was not yet felt. The extent to which 1967 signaled a turning point in modern Arab intellectual history is introduced here to provide brief context for the rise of Islamism and, in turn, the rise of practical Islamic finance.

The war was an unequivocally seismic event, destroying regional faith in Egypt's Nasser and, more deeply, crippling the broader Arab sense of self.³⁹⁸ Viewed on television

³⁹⁷ See, e.g., Kassab, Elizabeth Suzanne. *Contemporary Arab Thought: Cultural Critique in Comparative Perspective*. (New York: Columbia UP, 2010); Abu-Rabi', Ibrahim. *Contemporary Arab Thought: Studies in Post-1967 Arab Intellectual History*. (New York: Pluto Press, 2003)

³⁹⁸ Though the leader of Egypt, Nasser was a figurehead of the modern Arab for much of the Middle East, making his failure all the more a cause for disillusionment. Among the reasons for loss of faith in Nasser was the realization that the state-controlled Egyptian newspapers were propaganda pieces rather than straight news. According to Egyptian news, Israel should not have had a chance at winning. For more on the history of the 1967 war and its regional consequences, see William Roger Louis and Avi Shlaim, eds.

screens and discussed endlessly in coffee houses, the war and ensuing humiliation of the Arab defeat had a sobering effect, hampering the heady optimism of the previous decade and a half.³⁹⁹ Media and popular analysis was mirrored in academic discussion, as regional conferences and writings among leading Arab intellectuals became preoccupied on an almost existential level with the topic of societal failure.⁴⁰⁰ A sense of malaise and forestalled dreams permeated the secular intellectual work of the 1970s, along with biting and sometimes bitter self-critique.⁴⁰¹

It was at this time—starting in the 1970s—that a resurgent religious sensibility was felt throughout the Middle East at the popular level, cutting across class and national lines. As Gilles Kepel emphasizes, the “1967 defeat seriously undermined the ideological edifice of nationalism and created a vacuum to be filled a few years later by [Sayyid] Qutb's Islamist philosophy.”⁴⁰²

Until his execution in 1966 at Nasser's orders, Muslim Brotherhood intellectual Sayyid Qutb had for decades championed a return to conservative, non-Western Islamic

The 1967 Arab-Israeli War: Origins and Consequences. (Cambridge: Cambridge University Press, 2012), especially Chapters 12 – 13.

³⁹⁹ The most widely-read immediate response was Syrian scholar Sadiq Jalal Al-Azm, *Self-Criticism After the Defeat.* (London: Saqi, 2011).

⁴⁰⁰ See, e.g., Syrian Yassin al-Hafiz *Defeat and Defeated-ideology (Al-hazima wa al-aydiyulujjyya al-mahzuma)* (Beirut, 2005); Sadiq al-Azm *Criticism of Religious Thought (Naqd al-fikr ad-dinī)* (Beirut, 1969); Abdallah Laroui *L'idéologie arabe contemporaine* (F. Maspero, 1967); and Constantine Zurayk *Revisiting the Meaning of Disaster (Ma'na al-nakba mujaddadan)* (Beirut, 1967).

⁴⁰¹ See, e.g., Kassab *Contemporary* (2010), Chapter 2, 49-115.

⁴⁰² Gilles Kepel, *Jihad: The Trail of Political Islam* (Cambridge: Harvard University Press, 2003), 63

principles, excoriating what he viewed as the materialism and licentiousness of the United States and its Western allies. Qutb represented a uniquely twentieth-century Muslim religious voice: Though he had received a secular education and had gradually self-radicalized into his own idiosyncratic version of anti-Western Islam, Qutb's abilities as a popular writer who had once published book and film reviews stood him in good stead.⁴⁰³ His written ideas about Islamic resurgence and revival were immensely popular, proving more accessible and provocative to the rising generation in the 1950s and 1960s than the more staid writings of formally-trained clerics from the likes of Al-Azhar.⁴⁰⁴ Though until 1967 they had "been confined to small circles of Muslim Brothers, prisoners, and convicts sentenced to hard labor in camps," Qutb's teachings soon spread transnationally in the post-Nasser era, popularized by Egyptian students and young professionals who went abroad to oil-rich countries to seek their fortunes.⁴⁰⁵

These young Egyptian students and teachers, trained through Nasser's nationalist professional programs but unable to find good work outside of the failing Egyptian bureaucratic juggernaut, had been galvanized into post-war soul-searching. In pursuit of an ideological orientation, they turned to Qutb's Muslim Brotherhood ideas as more authentically Muslim and more in tune with their regional heritage and culture. Landing in the oil-rich countries to work as teachers, their Qutb-inspired Islamist ideas meshed

⁴⁰³ Qutb describes his peasant childhood and secular Egyptian education in his autobiography, *Tiḡl min al-Qaryah* (Beirut: Dar al-Hikmah, 1968).

⁴⁰⁴ Among his most well-known works are his *Ma'ālim fi'l-tarīq* [*Milestones*] first published in 1964, and *Social Justice in Islam (Al-Adala al-Ijtima'iyya fi'l-Islam)*, first published in 1949. (No publisher listed.)

⁴⁰⁵ Kepel, *Jihad*, 63.

easily with Saudi Wahhabist tradition.⁴⁰⁶ Soon, backed by rising oil wealth, these Islamist ideas were in turn exported further throughout the region as Saudi-funded mosques were constructed at an unprecedented rate. As Kepel emphasizes,

Later on, conservative Saudis would call 1967 a form of divine punishment for forgetting religion. They would contrast that war, in which Egyptian soldiers went into battle shouting ‘Land! Sea! Air!’ with the struggle of 1973, in which the same soldiers cried ‘Allah Akhbar!’ and were consequently more successful.⁴⁰⁷

Yet Islamism of the 1970s was not limited to the Muslim Brotherhood and their acolytes. Islamism is difficult to encapsulate outside of the broadest brush strokes; like post-Qutb Muslim Brotherhood thought (from which much of it was inspired), Islamism has often been characterized by its intellectual poverty (*faqr fikrī*)—or, at least, for its lack of systematization, theological or otherwise.⁴⁰⁸ It is perhaps best explained as a region-wide Middle Eastern movement for a “return to Islam” in the most general terms, with the notion of Islam itself—and of return—interpreted and understood with great variability by its advocates.⁴⁰⁹ For most, Islamism took the form of a political stance,

⁴⁰⁶ See Olivier Roy, *The Failure of Political Islam* (Cambridge: Harvard University Press, 1994), Chapter Three, esp. 48 – 52.

⁴⁰⁷ Gilles Kepel, *Jihad*, 63.

⁴⁰⁸ On Qutb and the Muslim Brotherhood, see Ṣalāh al-Dīn al-Jourshī’ *Al-ḥaraka al-islamiyya fī duwamma: ḥiwār ḥawla fikr Sayyid Qutb* [*The Islamic Movement in the Whirlwind: A Dialogue Around Sayyid Qutb’s Thought*], (Tunis: Dār al-Burāq, 1985), 13. Cited in Ibrahim M. Abu-Rabi’ *Intellectual Origins of Islamic Resurgence in the Modern Arab World*. (Albany: State University of New York Press, 1996), 211. See also Abu-Rabi’, *Resurgence* (1996), Chapters 5 – 6.

⁴⁰⁹ As Salwa Ismail argues, Islamism is also, at its most basic, a term by which scholars can begin to assess this phenomenon. See John Esposito’s *Islam and Politics* (1983) and John Voll’s *Islam: Continuity and Change in the Modern World* (1982) for two early and well-

advocating legislation and state structures designed and operated according to Islamic principles. This idea held variability within itself, as there is neither a unified Islamic doctrine of the state nor a unified set of Islamic laws; sharia (Islamic law) is interpretively malleable by definition. Furthermore, the means of political reform pursued by Islamists lacked uniformity: some, like the Muslim Brothers with whom Qutb had affiliated before his death, sought to alter existing political structures from within. Others advocated much more radical overthrow. Still others saw Islamism as a personal, inner religious revival, with little overt political effect but significant spiritual and psychological change. It was from the 1970s forward, for example, that Muslim women throughout the Middle East began to voluntarily re-adopt the veil, an uncommon sartorial choice in the previous several decades.

However nebulously defined or organized, Islamism as a principle and movement signaled an important epistemic shift away from secular markers of identity, foremost among them nationalism. As Kepel explains, with the rise of Islamism came a

shift in the balance of power among Muslim states toward the oil-producing countries. Under Saudi influence, the notion of a worldwide `Islamic domain of shared meaning` transcending the nationalist divisions among Arabs, Turks,

known scholarly works on Islamism. Each of these posits a unitary Islam and a sense of continuity in Muslim movements, with modern Islamism an extension of cyclical historical patterns of revival. Because there are too many exceptions to the patterns each seeks to tease out, and because Islam itself cannot be adequately expressed as a homogenous social grouping, other scholars have proposed alternative explanations. Particularly insightful is Talal Asad's idea of Islam as a discursive tradition, situated within historical contexts. "The Idea Of An Anthropology Of Islam" *Qui Parle* 17: 2 (2009), 23-24. See Salwa Ismail, *Rethinking Islamist Revival* (London: I.B. Tauris, 2006), 1 – 27.

Africans, and Asians was created. All Muslims were offered a new identity that emphasized their religious commonality while downplaying differences of language, ethnicity, and nationality.⁴¹⁰

Thus with Islamism, “Muslim” became the defining identity marker and ideological orientation of the Middle East. Concomitant with this new Islamist sensibility came a lesser-studied shift in financial sensibilities, as the oil-rich states of the Middle East took control of their oil production and began incorporating Islam into their banking establishments. As we shall see, this shift in banking was simultaneously informed by and constitutive of Islamism. And, as will be shown, it was centered in the narrative that had been continuously evolving from the previous, more hopeful generation: decolonization. In other words, Islamic banking grew as an Islamist extension of the continuing quest for decolonizing cultural authenticity. Islamism itself, I argue, is part and parcel of the larger decolonizing venture of the 1970s. Among the earliest contributions to an Islamist decolonizing discourse of Islamic economics were, yet again, two formative pieces by Muhammad Baqir al-Sadr.

A New Preface and Decolonization

Initially, Baqir al-Sadr’s forays into constructing—or, in his view—discovering⁴¹¹ a framework to restore a socially just Islamic economic “Third Way” were only indirectly

⁴¹⁰ Kepel, *Jihad*, 73.

⁴¹¹ The term al-Sadr uses here is *kashf*, a word with considerable religious significance in both Shii rationalist frameworks and Sufi mysticism, often translated as “unveiling” and based in the Arabic root meaning “to discover.” Within al-Sadr’s Twelver Imami tradition, *kashf* is associated with the process of discovering ultimate truths.

anti-colonialist.⁴¹² That is to say, the decolonizing intentions in his two volumes were implicit, advanced at the level of an Islamic ideology expressly rooted in rationalism. No overt discussion of the social, moral, or economic effects of colonialism specifically was ventured in the first editions of *Falsafatunā* (1959) or *Iqtīṣādunā* (1961).⁴¹³ Rather, al-Sadr's efforts at constructing a decolonizing narrative were in the form of logically-based persuasion: meticulously combining already existing Islamic jurisprudential traditions into a framework for societal and economic organization; comparing this framework with the philosophical and intellectual ideas flooding in from Europe; and constructing a logically-rooted case for the Islamic alternative.⁴¹⁴

This subtlety in critique would reverse itself in the second edition of *Iqtīṣādunā* (1968),⁴¹⁵ to which was added an author's preface that is openly, searingly critical of the effects of colonialism on Arab and Muslim societies. Published after nearly a decade of attempts at Arab socialism in Egypt, Syria, the UAR, and Al-Sadr's home country of Iraq, Al-Sadr's preface is much more frank in its criticism of European-inspired socialism. He is further far more direct in asserting the intellectual aspirations and decolonizing intentions of *Iqtīṣādunā*, arguing for the book's growing relevance in the Arab world. Finally, it is in this preface, itself far more social commentary than the book it introduces,

⁴¹² The works analyzed in Chapter Three here do not include direct indictments or even explicit references to colonialism.

⁴¹³ In other words, "colonialism" was not named in these volumes, though it was—as discussed in Chapter Three—clearly implied. The Prologue of the 1980 edition of *Falsafatunā* opens with a direct reference to colonialism, but I have been unable to determine if it was included in earlier editions. See *Falsafatunā*, xv.

⁴¹⁴ See *Iqtīṣādunā*, ii.

⁴¹⁵ Ibid.

that al-Sadr is his most explicit about the practical applications of *Iqtiṣādunā*—and Islamic frameworks generally—for Arab economic development, a key regional issue in the 1960s.

Al-Sadr argues that upon acquaintance with European thought the Islamic world “yielded” (*yadh’an*) to its intellectual approach civilizational leadership and, shifting its self-understanding to the national frameworks modeled by the Europeans.⁴¹⁶ Europeans had divided the world into countries according to economic potential, effectively placing themselves and their own countries into the “advanced” category and the Middle East into the “economically poor or backward” category. This, “according to European logic,” meant that Muslims were obliged to accept European leadership as the more advanced civilization, leading to a threefold subordination of the Muslim world to Europe.⁴¹⁷ First, the Islamic world was politically subordinated to “economically advanced” European nations through direct rule (i.e., colonialism). Second, the Islamic world was economically subordinated as a result of Europeans devising ways 1) to exploit its resources; 2) to introduce foreign (European-run) capitalism; and 3) to monopolize local industries “under the pretext of training the people of the backward countries to bear the burden of their economic development.”⁴¹⁸ Third, the peoples of the Islamic world subordinated themselves in the methods through which they sought political and economic

⁴¹⁶ ii

⁴¹⁷ ii.

⁴¹⁸ iii. This is a reference to the semi-colonial British and French Mandatory governments installed throughout the Middle East – including Iraq – in the first half of the twentieth century. Through these Mandates, administrative governmental and senior managerial posts of government-run companies were almost uniformly assigned to European foreign nationals while native peoples were limited in their upward mobility.

independence from European domination.⁴¹⁹ Through “experiments” at independence, Middle Eastern Muslim peoples sought to reclaim autonomous power to develop their own economies.⁴²⁰ Yet their understanding of the economic problem itself was rooted in European frameworks, so they unwisely chose European methods to attempt their corrective.⁴²¹

The “capitalist axis,” al-Sadr explains, was the first of these European methods to enter the Arab Islamic world “and polarize its countries” through colonialism.⁴²² These colonial associations led to Arab Muslim interest in an antithetical European axis, socialism, soon considered the ideal method for Arab development.⁴²³ With either model,

⁴¹⁹ Ibid.

⁴²⁰ Ibid.

⁴²¹ Ibid. This third definition of subordination is a clear indictment of two periods: first, it critiques what has become known as the Arab “liberal experiments,” a post-WWI era roughly contemporaneous with the European Mandatory governments, in which newly post-Ottoman countries sought to organize their own societies based upon the political models of classical liberalism and the economic model of capitalism. Al-Sadr emphasizes that, while there were clear differences of opinion regarding how these experiments were implemented, they were nevertheless all drawn from European models – the method itself a “tax” of intellectual acceptance of Western civilization. Second, it is a critique of the post-Revolutionary Era (1950s) economic circumstances of his day. Al-Sadr explains that “recent experiments” in the Arab Muslim world include free market capitalism and the planned economic model of socialism, each of which has built up the European economy (iii).

⁴²² iv.

⁴²³ Iv. Al- Sadr faults capitalists and socialists for their refusal to acknowledge any reason for their failures other than the legacy of the “artificial conditions” created by colonialists in the region. He insists that there is yet alive, theoretically and ideologically, an alternative for the *ummah*: the economic method and system of Islam (v).

al-Sadr emphasizes, the global economic subordination of “backward” countries to advanced countries has meant a continuing belief in “European practice as a leading principle.”⁴²⁴ Against this belief, al-Sadr advances his decolonizing solution: Islamic economics stands outside of these two axes, untainted by colonialism, and is therefore the superior choice.⁴²⁵

By definition, decolonization means full separation from the institutions, ideologies, and intellectual traditions of the colonial past. Historically speaking, al-Sadr explains, colonialism left a strong psychological mark on the Islamic world, imbuing a

⁴²⁴ iv. Both of these two axes have their own internal justifications for being superior, al-Sadr explains. The first points to European economic success, with the argument that the same method only need be adopted in order for “backward” countries to reap a similar reward. The second argues that, when gaining their impressive economic successes, Europeans did not have to contend with a globally integrated economy in which other regions were already more advanced. Planned socialism, so the argument goes, is the best strategy for a “backward” country entering an already uneven playing field. (vii)

⁴²⁵ v. Still, Al-Sadr wishes to win over the reader through his characteristic method of carefully constructed logical argument: the Islamic alternative is not simply better because he claims it is so; he must establish its superiority through reason. To do so, he clarifies that any comparison between Islamic economics and its European alternatives must first be contextualized historically. His rationale is simple: economic success and failure is not a result of economic method alone, he argues, but a result of method intermingled with surrounding historical circumstances. It is thus not so much that economic development requires a specific method, but more that economic development requires a “framework of social organization” for the state (viii). In other words, European economic systems were not successful of themselves alone. Instead, their success depended on the extent to which the population believed in and was mobilized to act on them (viii).

feeling of being trapped due to a “long bitter history of exploitation and struggle.”⁴²⁶ This feeling has inculcated a sense of “recoiling” (*al-inkimash*) in the *ummah* from the “European’s organizational gifts,” leaving a negative feeling toward “the organizations derived from the social practices in the countries of the colonialists.”⁴²⁷ Thus, al-Sadr concludes, the *ummah* must “base its modern revival” on social organizations and “cultural particularities not related to the countries of the colonizers.”⁴²⁸

Al-Sadr emphasizes that, thus far, the Arab attempts at throwing off colonial influence have been unsuccessful for a variety of reasons. Nationalism is not sufficient to fulfill societal needs because it is not properly an ideology or philosophy; it is simply a linguistic and social commonality.⁴²⁹ It is perhaps for this reason that Arab nationalists have attempted to claim Arab socialism, though in doing so, al-Sadr claims, Arabs are already acknowledging their discomfort with socialism’s European origins.⁴³⁰ Why else feel the need to mark their version as distinctly Arab? Calling something “Arab” does not in fact advance a specific philosophy for structuring society, al-Sadr explains, since Arab socialists cannot realistically distinguish between Arab, Persian, or Turkish socialism, “nor can they explain how socialism differs by merely being given a nationalist framework.”⁴³¹ Instead, the *ummah* can only “build the modern renaissance” on a basis that is entirely

⁴²⁶ vii.

⁴²⁷ vii.

⁴²⁸ vii.

⁴²⁹ ix.

⁴³⁰ ix.

⁴³¹ x.

disconnected from the countries of the colonizers.⁴³² Islamic economics, an idea without European connections, is this framework.

Finishing his argument for economic decolonization, al-Sadr rests his case on the twin factors of identity and religious belief: Islam is, for the *ummah*, “the expression of its very self” and the “key to its former glory”; a psychologically empowering framework for a people working toward postcolonial economic development.⁴³³ Not only do Muslims need to reassert their own independent, decolonized identity, but in order to do so they require an economic framework that is not contrary to their own religious beliefs.

Explicating this last in his most biting anti-colonial polemic, al-Sadr continues: whereas Europeans have come to “look to the earth” for its material wealth and possessions, developing philosophical frameworks that focus on acquisition and pleasure, Islam sets its sights upon the heavens. Al-Sadr argues that the notion of “freedom,” divorced from morality and accountability, drives the European concept of economy: “The absence of any feeling of moral responsibility was a basic precondition for many of the activities that were part of the process of [colonial economic] development.”⁴³⁴ But it is not just economy. The belief that life is characterized by a *struggle* for freedom of the individual—that the mere existence of one individual automatically impedes the freedom of another—is integral and inherent to European thought and philosophy, al-Sadr insists. It is expressed repeatedly, in Western scientific thought about the struggle for existence in nature, in capitalist free-market aspirations, and in socialist thought about class

⁴³² xi.

⁴³³ xii.

⁴³⁴ xii.

struggle.⁴³⁵ This, to al-Sadr, is a reflection of the spiritual reality of the European: a struggle that exists in all arenas, including economy, played out in “unlimited rivalry.”⁴³⁶

Al-Sadr’s concludes his preface with an apologetical turn. In a parallelism of his European critique, he paints a softer portrait of the *ummah*: as noted, instead of keeping their eyes fastened upon the earth, Muslims set their sights to the heavens. This focus on the ineffable divine limits the Muslim’s attachment to the material, and is expressed in Islam’s focus on the intellectual world over the physical world.⁴³⁷ A Muslim does not understand freedom in the same way a European does, having an inner sense of being watched by heaven that restrains his impulses. This inner restraint will avert difficulties that commonly arise from the “free economy.” Further, the *ummah* has been instructed to enjoin jihad, in this case to use all of its forces—including economic ones—to preserve itself existence and its self-governance.⁴³⁸ Harnessing this attachment to the unseen by imbuing the earth with the framework of heaven, and laboring with a sense of duty and worship, will transform the mentality of heaven-focused Muslims to one of earth-based productivity, raising the overall economy.⁴³⁹ Thus unburdened by the alienation of materialism and the uneasiness of foreign, socialist ideas, the economic framework of

⁴³⁵ Ibid.

⁴³⁶ Ibid.

⁴³⁷ xxiii.

⁴³⁸ xxiv.

⁴³⁹ Ibid. Unfortunately this idea is not drawn out or clarified with examples, though it is in keeping with his overall argument that the economic issue may be solved on the psychological and spiritual levels.

Islam will provide the Muslim with the psychological means to compete productively in the developing economy—even if he is not particularly pious.⁴⁴⁰

By the time that this preface was first published in 1968, al-Sadr had been deeply involved in Iraqi resistance politics for over a decade.⁴⁴¹ He adapted his language in this preface to the state of the times: Although never known for the emotional rhetoric and firebrand style of his more famous colleague and fellow Shiite revolutionary Ruhollah Khomeini—al-Sadr always preferred argument through logic and rationalism—the decolonizing language here is blunt and bold, galvanizing and impassioned rather than straightforwardly analytical. He re-directs the overall focus of *Iqtisādunā* in this preface as well: After watching Pan-Arab Baathist socialist experiments rise—including the short-lived (1958 – 1961) United Arab Republic and the 1963 Baathist coup in Iraq—his former communist preoccupations had dissipated. Not once in this preface does he use the term “Marxism”—a centerpoint of his analysis in the main text of both *Falsafatunā* and *Iqtisādunā*—no doubt because socialist Baathism and Nasserism had effectively curtailed the growing Arab and Iraqi Marxist movements of the 1940s – 1950s.⁴⁴² By reframing the relevance of the book in decolonizing terms, al-Sadr showed his continuing keen political attunement.

Still, al-Sadr’s preface demonstrates a sustained interest in the principles of Bandung (discussed in Chapter Three), particularly its focus on the idea of a united Third

⁴⁴⁰ Ibid.

⁴⁴¹ See T.M. Aziz, “The Role of Muhammad Baqir al-Sadr in Shi’i Political Activism in Iraq from 1958 to 1980” *International Journal of Middle East Studies* 25:2 (May 1993), 207 – 222.

⁴⁴² It is quite possible that much of his readership limited their reading to this preface, as later works that cite *Iqtisādunā* often describe it as an anti-socialist work, ignoring the hundreds of pages of explicitly anti-Marxist content.

World project of economic development, itself a positive response to the Bretton Woods and IMF messaging of the 1950s and 1960s.⁴⁴³ Decolonization, for al-Sadr, was not a rejection of Western economic ideas in toto. Instead, it was revised vision, derived from the open markets championed at Bretton Woods and centered on the Middle East Islamic community (*ummah*). Local development would instead come from the process of rejecting capitalist, socialist, and communist norms in favor of an Islamically-guided economics centered in social justice. Decolonization, in other words, was part of development.

From Economic Ideal to Banking in Practice: *The Usury-Free Bank in Islam*

Still, for all of its strengths as a persuasive decolonization platform and timely piece of jurisprudential philosophy, *Iqtisādunā* did not touch upon the practical issues of how to run a functional Islamic bank. As described in Chapter Three, it instead uncovered what the ideals of an Islamic economics would (and should) be, deriving its arguments from rulings on mercantile exchange and labor for hire in the jurisprudential literature. Much of the functionality of the ideas in *Iqtisādunā* further hinge upon a key factor that is discussed in its last sections and that, no doubt, would have occupied the center of analysis in al-Sadr's third book, *Mujtama'na* (*Our Society*), had it been written. That factor is the role of the state, particularly of the head of state, in al-Sadr's view an inspired Islamic ruler who is designated as arbiter and decision-maker in crucial economics decisions. For example, al-Sadr argues that the gaps in economic policy in the jurisprudential literature are intentional, allowing the head of state (*imam*) broad autonomy to make crucial economic decisions for the good of the Muslim community as

⁴⁴³ Cf. Chapter Three.

a whole.⁴⁴⁴ *Iqtisādunā* is, in other words, premised upon its Arabic possessive form *-na*; it is *our* economics— *our* referring to the Muslim community (*ummah*)— and it is an ideal that can exist functionally only within an ideal Muslim polity.

In the absence of either a pious Muslim leader or an ideal Islamic polity, how would an Islamic bank be attempted? Such a question was put forth in a request from the Kuwaiti Ministry of *Awqaf* (Charitable Endowments) in the late 1960s. Sending out a call to *fuqaha* (jurists) for guidance, they asked: How would one operate a bank (with an implied international clientele) according to Islamic principles?⁴⁴⁵ Al-Sadr heeded the call, his practical response coming in the form of *Al-Bank al-lā Ribāwī fī al-Islām* (“The Usury-Free Bank in Islam,” hereafter *Al-Bank*), an undated text published from Kuwait that has been traced to 1968 or 1969.⁴⁴⁶ It was this manual that contained some of the earliest ideas of Islamic banking as it came to be practiced.

Before discussing *Al-Bank*, a few items should be noted. First, notwithstanding *Iqtisādunā*’s anti-Marxist conceptual thrust, and despite the socialist turn of the Baathist and Nasserist experiments of the 1950s and 1960s, it was capitalism (and not communism) that structured much of the banking of the Arab Middle East of the mid-twentieth century—and it was capitalism that underpinned the growing global market. In this late 1960s manual, al-Sadr—ever a Shiite and accustomed to envisioning minority religious practices under an alien majority—redirected his focus to Islamic banking under

⁴⁴⁴ See *Iqtisādunā* 356.

⁴⁴⁵ See vi-vii.

⁴⁴⁶ The edition used in this dissertation is listed as *Al-Bank al-lā-ribāwī fī al-Islām: uṭrūḥah lil-ta’wīd ‘an al-ribā wa-dirāsah li-kāfat awjah nashātāt al-bunūk fī daw’ al-fiqh al-Islāmī* (al-Kuwayt: Maktabat Jāmi’ al-Naqī al-²Ammah, 1969?).

capitalism.⁴⁴⁷ Unlike Marxism or socialism, capitalism did not present itself in terms of social justice and lacked the conceptual core of leveling class disparities, so it required less rebuttal to refute its Islamicity. With the switch to capitalism, al-Sadr's focus in this manual was no longer on an ostensible, unrealized revolutionary ideal. Recognizing that any viable Islamic economic banking system would need to work in tandem with existing structures, he turned his focus to the development of a practical Islamic banking system: What could be done to render conventional Western capitalist banking systems compliant with the *sharia*? In other words, after *Iqtisadunā* and now confronting capitalism, the question in *Al-Bank* was no longer how to find the economics of Islam, but how to find Islam in (existing) economics.

Second, *Al-Bank* is not a deeply analytical text; it is, in many ways, more of a lengthy manual listing different Western conventional banking services and practices and al-Sadr's Islamic banking equivalents, including everything from deposit and savings accounts to checking to types of loans. From its inception, *Al-Bank* was designed as a usable guide for actual bankers and not as a philosophical text. Because it is not structured as an overarching argument, and because similar literature constitutes the bulk of current available information on Islamic banking, here the main focus will be on a few

⁴⁴⁷ As noted in Chapter Three, al-Sadr's comparatively meager discussion of capitalism in *Iqtisadunā* is likely attributable to two factors: First, the immediate pressing concerns of rising Shiite Iraqi communism in his personal milieu; and second, the obvious ethical problematics of *laissez-faire* capitalism. Concerns of social justice and provisions for the poor and needy are not at the forefront of most capitalist philosophical argumentation, making it less necessary for clerical rebuttal in order to define theological difference. Few in the Middle East were likely to view it as an ethical system in the first place.

examples of the ways that it set the tone for Islamic banking as a whole, with occasional references to *Iqtisādunā* for context.

Iqtisādunā had spoken only sparingly of banks, encouraging traditional practices regarding capital. *Ribā* (usury, usually defined as interest) was to be avoided through one of the earliest economics concepts in the Islamic jurisprudential literature: a *muḍāraba* contract (often translated as a commenda partnership or profit sharing).⁴⁴⁸ *Muḍāraba*, (from the Arabic root for “venture”), is a contractual investment partnership in which one partner (the *rabb al-māl*, “owner of the money”) provides all of the capital for the other partner (the *muḍārib* “venturer”) to manage and invest in a commercial venture. In a *muḍāraba* agreement, any loss incurred affects the *rabb al-māl* only.⁴⁴⁹ *Muḍāraba* contracts—and related *mushāraka* contracts, a partnership in which risk is proportional and profits and losses are equally shared—are among the oldest attested economics concepts in the Islamic literature, and form the basis of most juristic rulings regarding Islamicity in banking. Yet the relationship of such a contract with modern banking is not immediately intuitive. How, then, would an interest-free banking system operate?

Taking as its premise and focal point that *ribā* (interest) is the chief obstacle in Western conventional finance,⁴⁵⁰ Al-Sadr adopts several concessionary premises in *Al-*

⁴⁴⁸ See *Iqtisādunā*, 543 – 544.

⁴⁴⁹ This particular form of Islamic contract is perhaps the most common and the most commonly accepted among Islamic scholars as it has the most firmly attested roots in medieval Islamic mercantile tradition. See, e.g., Timur Kuran *The Long Divergence*. (Princeton UP: 2010), 74.

⁴⁵⁰ “Sharia compliance” is the standard current terminology in Islamic finance to describe products that have met with the approval of Islamic legists who serve on “sharia boards,”

Bank: First, the manual is written with the acknowledgement that any functional Islamic bank in the current international capitalist system will need to interact and compete with Western conventional (interest-using) banks. Second, as a result, realism is paramount: despite prohibitions against *ribā* (interest), Islamic banks will inevitably possess some interest-bearing accounts as a result of needing to do business with conventional banks.⁴⁵¹ This is unavoidable. Al-Sadr justifies the argument for pragmatism in a Western-dominated banking environment by asserting that it is well grounded within the Islamic tradition: Abu Ḥanifa,⁴⁵² among other jurists, allowed the practice of *ribā* with non-believers (*dhimmis*).⁴⁵³ Thus, throughout *Al-Bank* al-Sadr acknowledges that some compromises must be made for a functional non-*ribawi* (non-usurious) bank to exist in the current (capitalist) global economic structure. Yet the foundational Islamic ethical principles remain: earnings should derive from commodities-based labor, not from capital itself. Risk should be proportional,⁴⁵⁴ a contract between lending institutions, borrowers, and investors, rather than shifted heavily onto the shoulders of borrowers. Making money *on* money – the soul of most Western finance – should be avoided as much as possible because it fosters greed and corruption by shifting focus from the purpose of money, which is to support the well-being of society.

evaluating the extent to which a particular financial product aligns with Islamic law.

“Islamicity” is another common term with an analogous meaning.

⁴⁵¹ *Al-Bank*, 13.

⁴⁵² Abu Ḥanifa was the founder of the Hanafi *madhhab*, described in this dissertation in Chapter Two. Cf. page 101-102.

⁴⁵³ *Al-Bank*, 13 – 14.

⁴⁵⁴ See *Iqtisādunā*, 572-578.

As Chibli Mallat emphasizes, in Al-Sadr's view, the role of the Western conventional bank is to act as broker between two different kinds of clients: entrepreneurs (investors), and depositors,⁴⁵⁵ combining and simultaneously *obfuscating* two different legal relationships: as “debtor [to] the depositors [...] and as a creditor to the investors.”⁴⁵⁶ Islamic banking, on the other hand, *amplifies* those legal relationships and expressly “establishes a correspondence between the bank's resources (Capital + Deposits) and the bank's investments in loans.”⁴⁵⁷ The differences in practice are therefore slight at best, but – crucially— this is by design: in order to compete with Western conventional banks— particularly in an international market—Islamic banks must have products and practices that can cohere well with the existing system.

How, then, was such a bank to make a profit? A few examples of the subtle differences in Islamic banking follow, illustrating Al-Sadr's theory and demonstrating some of the foundational methodology for contemporary Islamic banking. First, Al-Sadr promotes a *mudāraba* contract, described above, in which two parties engage in a “profit and loss” partnership, agreeing ahead of time to share the profits on the basis of percentage. If the amount of capital does not change, its original owner will receive it back, and if there is a loss, the original owner will suffer it.⁴⁵⁸ In this instance, the Islamic bank would act as intermediary between the partners, guaranteeing the deposit.⁴⁵⁹ Instead of a fixed return— which would be *ribā*— the depositor receives a percentage of

⁴⁵⁵ See Mallat, *Renewal*, 168.

⁴⁵⁶ Ibid. See also *Al-Bank*, 20.

⁴⁵⁷ Mallat, *Renewal*, 168.

⁴⁵⁸ *Al-Bank*, 25.

⁴⁵⁹ *Al-Bank*, 32.

the profits of the specific investment. Furthermore, loss is unlikely, because the deposit is to be tied to the sum of *all* the banks investments.⁴⁶⁰ This would incentivize going to the bank rather than conducting the contract independently.

Returning to the idea of modeling Western conventional practices, al-Sadr argues that when paying out the profit to the members of the *mudāraba* contract, Islamic banks should endeavor to match the interest rate percentage of a conventional bank.⁴⁶¹ In other words, if the venture profits by 20%, and a conventional bank pays 5% on fixed loans, an Islamic bank should pay out 25% total profit on the successful *mudāraba* venture. The bank, though not a full partner in this contract, would still earn a profit through a flat fee for its initial participation, and a separate flat fee constituting a share in the profits.⁴⁶² Throughout the process, 1) interest is technically avoided; 2) the bank's role is up-front and agreed-upon; and 3) the bank is able to compete with Western conventional banks by offering incentives and fees for direct labor.

Al-Sadr distinguishes between Islamic banking and Western conventional banking in several other ways, all of them subtle and focused more on intent and theoretical approach than on practice. For example, he notes that Western conventional banks have a variety of different account options, including current accounts (*hisab jari*, checking accounts), and savings accounts (*tawfir*). The main difference between the two, he emphasizes, is the timing of access to the money: in a checking account immediate access is expected, whereas deposits in savings accounts are intended to be for a length of time. Islamic banking, he explains, does not have this concept of deposit for an unspecified

⁴⁶⁰ Mallat, *Renewal*, 169.

⁴⁶¹ *Al-Bank*, 34-36.

⁴⁶² *Al-Bank*, 42.

length of time; loans are always due at specified times or are expected to be immediately available.⁴⁶³ Checks occupy a significant proportion of al-Sadr's discussion as he explores situations in which they may be permissible or impermissible. For example, if a check is conceived as loan, it is not permissible.⁴⁶⁴

While *Al-Bank* details many more areas of theoretical difference between an Islamic bank and a Western conventional model, the overall pattern is clear from these examples: Islamic banking was from its inception intentionally conceived by al-Sadr to fit in seamlessly with its Western conventional counterpart. This last cannot be overstated, as knowledge of the original intentions undergirding Islamic finance appear to have been lost in the decades since *Al-Bank* was written. Though *Al-Bank* is only a preliminary text and is early enough that it does not discuss topics like Islamic mortgages (introduced in 1975),⁴⁶⁵ insurance (1978),⁴⁶⁶ and capitalist financial products like stocks and futures,⁴⁶⁷ the groundwork for Islamic banking as it would come to be practiced in the late twentieth

⁴⁶³ *Al-Bank*, 84.

⁴⁶⁴ See, e.g., *Al-Bank*, 105-06.

⁴⁶⁵ See, e.g., Bill Maurer *Pious Property: Islamic Mortgages in the United States* (New York: Russell Sage, 2006)

⁴⁶⁶ See, e.g., Sheila Nu Nu Htay, et al., *Accounting, Auditing and Governance for Takaful Operations* (Gombak: Wiley, 2012). For an interesting and representative example of an Islamic finance text that is religious justification for the existence of Islamic insurance, see Aly Khorshid *Islamic Insurance: A Modern Approach to Islamic Banking* (New York: Routledge, 2004).

⁴⁶⁷ Futures remain hotly contested in terms of Islamicity. See, e.g., Mohammad Hashim Kamali, *Islamic Commercial Law: An Analysis of Futures and Options* (Cambridge: Islamic Texts Society, 2001.)

century had been laid. By the end of the twentieth century, each of the aforementioned products would be developed along an Islamic model— one may, in the twenty-first century, invest in sharia-compliant bonds, insurance, and even, as of 2009, Islamic derivatives.⁴⁶⁸

Islamic banking, then, from its origins in the mind of al-Sadr took the form of practical compromise. Departing from the ideal Islamic economic system that al-Sadr had labored to uncover a decade earlier in *Iqtīṣādunā*, Islamic banking as conceived in *Al-Bank* was more modest in scope and goals, flexible enough to function within the existing capitalist system while still endeavoring to retain core Islamic principles of social justice. Yet, as can be seen from the above, it lacked the intellectual and philosophical richness of al-Sadr’s earlier, probing work. Furthermore, it is decidedly non-nationalist in nature: Nothing in *Al-Bank* addresses the relationship of the bank to the state. Much like the rest of the rising tide of Islamism, Islamic banking was inherently modern— nothing akin to it had ever been attempted in the name of Islam before— and inherently a reaction to surrounding historical circumstances. More than anything, Islamic finance in al-Sadr’s view and Islamism more broadly were forms of ideological and identitarian assertion against long-dominant foreign powers; a reaction to imposed alien systems under colonialism. Rather than a truly unique or innovative form of finance, Islamic banking was a carefully branded decolonizing endeavor, notable for its earnestness in conception

⁴⁶⁸ Like futures, derivatives divided the Islamic market. See, e.g., Liao Y-Sing, February 5, 2009, “Derivatives dispute divides Islamic finance market.” <http://uk.reuters.com/article/islamic-derivatives-idUKLNE51400C20090205> (Accessed May 1, 2017)

and designed— as noted in al-Sadr’s preface to the second edition of *Iqtisādunā*— to restore the Muslim psyche.

Finally, it is important to underscore here that it was Islamic banking, and not the broader state-centered ideal Islamic economics of al-Sadr’s *Iqtisādunā*, that budded into existence in the 1970s. Though often spoken of synonymously with Islamic economics, Islamic banking and finance are narrow projects relative to the scope of economics as a discipline. Islamic banking has not mounted a challenge to the capitalist system in which it is embedded, for example; as noted by Timur Kuran, the applications of Islamic economics— here he uses the term interchangeably with Islamic banking— have been quite narrow, limited primarily to a focus on *ribā* prohibition and “norms of Islamic economic behavior.”⁴⁶⁹ While questions of the relationship of Islam to economy and economic systems doubtless remained after the 1970s, Islamic finance as a brand was limited and non-revolutionary, constrained by political economy. Although a discussion of post-1970s Islamic finance exceeds the scope of this project, it is notable here that Islamic banking has always been a question of cultural assertion and post-colonial identity.

Islam and Economics in Popular Discourse

Thus far this project has focused primarily on the Islamic economics and Islamic banking writings of Muhammad Baqir al-Sadr. This choice was made for three reasons:

⁴⁶⁹ See Kuran, *Mammon*, xiv. Kuran adds a third topic to this list: wealth redistribution through zakat (alms). As this was primarily a post-1970s phenomenon and does not heavily inform *Al-Bank*, it is not addressed here.

First, al-Sadr's thought represents the most intellectually and theologically thorough, wide-ranging, comprehensive and detailed approach of any Arab writer on the subject until his time. He is all the more notable because he situates his concept of Islamic economics explicitly as a response to Western encroachment while building a dual case, rational and jurisprudential, for the realization of the phenomenon. Second, honing in on one thinker and his cultural and intellectual milieu facilitates a closer reading of the relationship between climates of ideas and their historical implications. Particularly in this instance, where economics and banking operate as symbolic and actual tools of cultural reclamation, a close reading of an individual thinker facilitates deeper understanding of the multivalent layers of influence that gave rise to Islamic economics: personal, theological, and political at the level of municipality (in al-Sadr's case, Najaf), country (the Iraqi revolution), region (the Middle East Arab *asr al-thawra*, "Age of Revolution" of the 1950s), and globe (Bandung, the Third World, and decolonization). Third, al-Sadr and *Iqtisādunā* in particular are often cited in the later Islamic economics literature as formative, even canonical.⁴⁷⁰

⁴⁷⁰ Both early theorists of Islamic economics and later academic texts on the phenomenon make this assertion. For example, Muhammad al-Mubarak's *Nizam al-Islam: al-iqtisad (The System of Islam: The Economy, 1972)* is often considered among the best presentations of Islamic economics because of its clarity. Among others, al-Mubarak based his writings on *Iqtisādunā*. See Johannes Reissner, "The Intra-Islamic Discussion on a Modern Economic and Social System." In Werner Ende and Udo Steinbach, eds. *Islam in the World Today*. (Cornell University Press, 2010), 134 and footnote 12, page 862. In addition, later scholars, many of whom were highly influential in the development of Islamic banking and finance in Southeast Asia, also cite *Iqtisādunā* as a formative influence— even when they are critical of it as too arcane or not sufficiently grounded in the academic discipline of economics. Muhammad Nejatullah Siddiqi, a widely-acclaimed economist who wrote

Nevertheless, it would be incorrect to draw the conclusion that al-Sadr was the only thinker of his time exploring and critiquing the relationship between Islam and economics, or even the most famous. Due to constraints of space, the remainder of this chapter briefly sketches out the general circumstances that led the Organization of the Islamic Conference to found the multi-government-run Islamic Development Bank in 1974, and to the founding of the non-governmental Dubai Islamic Bank the following year (1975). But first it must be emphasized that public interest in Islamic banking was critical to its realization, and creating such interest required the attention of a variety of voices. As described in the early sections of this chapter, the 1960s and particularly post-1967 were a time of public crisis, as members of the Arab public sought for solidarity in the form of new political and ideological orientations: first came the Arab Age of Revolution and the rise of (largely secular) Arab socialism in the 1950s and 1960s; then came a post-war reckoning and the beginning of an Islamist resurgence starting in the 1970s. Though Egypt under Nasser was the locus of the 1967 crisis of identity, it was not a limited national phenomenon: the 1967 *naksa* (setback) reverberated outward, influencing the political and ideological will of the region as a whole. Stepping in to fill the void left by Nasserism, Arab socialism, and failing dreams of Pan-Arab unity were Islamic activists and social critics hailing a return to Islam. Though many had voiced their societal concerns for decades— Egypt’s Muslim Brotherhood, for example, was

four books on Islamic banking in Urdu that were later translated into English in the 1970s and 1980s, is an example of such a critic. His books include *Some Aspects of the Islamic Economy* (Lahore: Islamic Publications Ltd, 1970); *The Economic Enterprise in Islam* (Lahore: Islamic Publications Ltd, 1972); *Banking Without Interest* (1973); and *Issues in Islamic Banking, Selected Papers* (Leicester: The Islamic Foundation, 1983), his most well-known work.

founded in 1928— it was post-67 that their power was felt at a mass level in the Arab public sphere.

For example, Muslim Brotherhood intellectual and Islamist progenitor Sayyid Qutb (1906 – 1966), mentioned earlier in this chapter, was one of those outspoken thinkers in the decades before 1967. Like many other Muslim thinkers of his time— and unlike al-Sadr— for the most part Qutb did not parse economics from his broader thoughts on the good Muslim life; his thoughts on economics are found intermingled in his writings on the more general topics of social justice, his critiques of the West, and his social commentaries on the Egyptian society in which he lived. For example, as early as his famous 1949 treatise *Al-'adala al-Ijtima'iyya fil-Islām (Social Justice in Islam)*, Qutb argues that Islam is unique relative to the Christian West because of its focus on social justice and its prioritization of the interest of the community over the individual. Focusing on the conditions of the Egyptian poor from whom he came, Qutb contends that Islam allows for those in penury to have access to public funds; that Islam is opposed to ostentation and excess; that taxes should be progressive; and that families should be “supported according to need, social security, universal liability to pay *zakat* [alms; one of the five pillars of Islam], and mutual responsibility.”⁴⁷¹ Like al-Sadr above, he further argues that colonialism has inflicted a psychological wound that only Islam can heal.⁴⁷² Yet, not a trained Islamic scholar or a professor in the Western tradition, Qutb does not ground his

⁴⁷¹ Abu-Rabi', *Intellectual Origins*, 117.

⁴⁷² *Ibid*, 118.

analysis in the jurisprudential literature; his is explicitly and proudly not a work of *ijtihād*.⁴⁷³

Qutb's *Ma'arakat al-islām wa'l ra'smaliyya* (*The Battle Between Islam and Capitalism*),⁴⁷⁴ published the following year in 1950, is also not an academic analysis of capitalism per se. Instead, it is a strident critique of the influence on Egyptian society of colonialism and capitalism— which, like al-Sadr and others, he often conflates.⁴⁷⁵ In his later, more philosophical works, including *Al-Islām wa-mushkilāt al-ḥaḍārah* (*Islam and the Problems of Civilization*, 1962), Qutb delves more deeply into questions of capitalism. Again, however, his goal is to argue that capitalism is incompatible with Islam based on his own perceptions of capitalism and Islam. This is not Sadrian attempt to participate in a scholarly conversation or to persuade the reader through carefully crafted ground-up rational argument. In other words, Qutb is of interest here because he was an extremely well-known and widely-read thinker who contributed to a discourse critical of the relationship between Islam, economics, and colonialism in the 1950s and 1960s. The notion that economic systems like capitalism and communism were un-Islamic

⁴⁷³ This was a fact that Qutb asserted with pride and even belligerence. In *Ma'arakat al-islām wa'l ra'smaliyya* (*The Battle Between Islam and Capitalism*), for example, he insists that intellectuals trained by Al-Azhar are complicit with the colonizers in the oppression of Egypt. See, e.g., 6, 10.

⁴⁷⁴ *Ma'arakat al-islām wa'l ra'smaliyya* (*The Battle Between Islam and Capitalism*) (Beirut: Dar al-Shuruq, 1975. Originally published 1950.)

⁴⁷⁵ Abu-Rabi,' *Intellectual Origins*, 118.

impositions of the colonizers and the root of significant social problems was thus not unique to al-Sadr.⁴⁷⁶

Similarly, Indian scholar Sayyid Abu A'la Maududi (1903 – 1979), also one of the primary progenitors of the Islamist resurgence of the 1970s, was a prolific writer whose work was widely read in the Arabic-speaking Middle East. As early as 1941, Maududi was delivering lectures on the topic of economic systems and Islam in his native tongue of Urdu in India, arguing against capitalism, communism, colonialism, and greed.⁴⁷⁷ Maududi continued writing and teaching on economics and its relationship to Islam over the course of the rest of his life, with many of his most detailed works on the Islamic philosophy of economics written contemporaneous with or after al-Sadr's main works in the 1960s.⁴⁷⁸ Like Qutb, Maududi's ideas on the topics of *ribā*, social justice, zakat (alms), and his compilation of verses dealing with economics in the Qur'an were included in discussions of broader themes of a return to Islam in lectures, pamphlets, and short

⁴⁷⁶ For excellent work on questions of Islam and capitalism and Islam and socialism from this time period, including detailed summaries of different thinkers on the subject, see Charles Tripp, *Islam and the Moral Economy: The Challenge of Capitalism*, especially Chapters 2 -3.

⁴⁷⁷ Sayyid Abu A'la Maududi "Mankind's Economic Problems and their Islamic Solutions." Translation and transcription of talk delivered October 30, 1941, Aligarh Muslim University (India). In Mawdudi, *First Principles of Islamic Economics*. (Leicestershire: Islamic Foundation, 2011), 3 – 23.

⁴⁷⁸ See, e.g., "The Principles and Objectives of Islam's Economic System." Address to Administration Department of the University of Punjab, Lahore, December 17, 1965. In Mawdudi, *First Principles*, 87 – 102; "Islam and Social Justice." Paper read to special session of the World Muslim Congress, Mecca, during the Hajj of 1962. In Mawdudi, *First Principles*, 230 – 243.

essays.⁴⁷⁹ Maududi's ideological influence on the Muslim Middle East and the rise of Islamism generally is well attested, though it is difficult to reconstruct the timing of his economic influence with historical precision as many of his Urdu works are undated, and we often do not have copies of the original Arabic translations.⁴⁸⁰ Regardless, Maududi's prolific and persistent work on the question of Islam and economics further underscores the extent to which it was a widespread post-colonial preoccupation.

Financing Islamic Finance: Petro-Islam and the First Islamic Banks

In the aftermath of the 1967 War, Baqir al-Sadr's practical suggestions for interest-free banking in *Al-Bank* held particular resonance. It was no accident that *Al-Bank* came at the behest of the Kuwaiti government—the question of how to operate a national economy and a national bank in accordance with Islam had long troubled the oil-rich nations of the Middle East. For example, Saudi Arabia of the 1960s was by all accounts eager to develop its national economy, but its economic and financial troubles ran far deeper than its commonly known entanglement with the Western-owned-and-run oil companies, the Seven Sisters.⁴⁸¹ The Wahhabi Kingdom, subscribing to a particularly conservative form of Islam, did not believe in interest-based banking. In a particularly

⁴⁷⁹Ibid.

⁴⁸⁰ See, e.g., Irfan Ahmad "Genealogy of the Islamic State: Reflections on Maududi's Political Thought and Islamism. *The Journal of the Royal Anthropological Institute* Vol. 15, Islam, Politics, Anthropology (2009), 145-162; Shiraz Maher *Salafi-Jihadism: The History of an Idea* (C. Hurst, 2016), 177- 178.

⁴⁸¹ The Seven Sisters were Western-owned oil companies that participated in profit-sharing agreements with the oil exporting countries.

revealing portion of a 1968 dissertation on Saudi economic development, describing research that had been conducted over the previous several years, the author notes one of the two greatest factors impeding economic development:

Not very long ago, the terms ‘money changer’ and ‘banker’ were used, even in the monetized sector, with very little discrimination. Recently, however, a ‘banking literacy’ has been developed in a very peculiar way. Banks are not expected to act as profit-making institutions for depositors, mainly because ‘interest’ is *usury*, and, hence, forbidden under the law of the land. The implication of that is twofold: First, the illegality of ‘interest,’ the writer believes, has been the single most important factor that has crippled the process of ‘deposit creation,’ at least in the form of savings accounts. If one does not receive a premium on his deposits, then why bother putting them in a bank? Second, if banks cannot charge interest on their loans, then why bother to make loans?

The consequence thus far is sad and bleak. Banks have failed to adequately supply the dynamic ingredient which is so vital to the growing economy – credit. Against this crippled role of banks in the development process, government has assumed responsibility to supply both the industrial and agricultural sectors of the economy with venture capital, the lifeblood of economic growth. To fill the gap, under pressure of necessity, the Saudi government has established two developmental state-owned banks: Industrial Bank and Agricultural Bank. Each bank is supposed to assist, without interest, small private investors who were previously left with only two choices: gradual death in business and / or extremely high interest rate in the financial ‘black market.’⁴⁸²

Saudi Arabia’s concerns about Islamicity in banking were soon addressed head-on by al-Sadr’s proposals in *Al-Bank*, at a historical juncture in which a return to Islam was coupled with anti-Western economic resistance. In the aftermath of 1967, the countries that would soon become OAPEC (Kuwait, Libya, and Saudi Arabia, newly-formed under Saudi Arabia’s leadership in January 1968) organized its first, lesser-known and less-

⁴⁸² Fayed Ibrahim Badr *Developmental Planning in Saudi Arabia: A Multidimensional Study*. (Dissertation, University of South California, 1968), 109 – 110.

successful oil embargo, followed in 1973 by a second more famous— and economically brutal— successor.⁴⁸³

Adjusted for inflation, oil revenues throughout the Arabian Peninsula and Saudi Arabia grew tenfold between 1970 and 1974.⁴⁸⁴ With growing awareness of the political and economic might of oil came a sense of obligation to use its power to fund the expansion of conservative Islamist ideology— a goal easily realized as Egyptian teachers, eager for work and sympathetic to Muslim Brotherhood views after the 1967 War, began flooding Saudi Arabia and the Gulf in the early 1970s. As Saudi “Petro-Islam” constructed mosques preaching Islamic revival throughout the Middle East, the ministries of oil-rich countries came together, joining with other regional Muslim countries in the Organization of the Islamic Conference. Led by Saudi King Faisal, the OIC attempted to implement Islamic policy in a new bank, the Islamic Development Bank (founded in Jeddah, Saudi Arabia, 1974).⁴⁸⁵ The following year, the Dubai Islamic Bank, a non-governmental commercial bank, was founded in 1975.⁴⁸⁶ Shortly thereafter, in 1976 the first Islamic Conference on Islamic Economics was held in Mecca.⁴⁸⁷ Islamic banking was born.

Thus, al-Sadr’s dreams became a reality in the form of Islamic banks in the mid-1970s. After the 1967 war, Islamist yearning for an elusive, idealized, pre-European past

⁴⁸³ See, e.g., M. S. Daoudi and M. S. Dajani “The 1967 Oil Embargo Revisited.” *Journal of Palestine Studies*, 13:2 (Winter 1984), 65-90.

⁴⁸⁴ See, e.g., Timur Kuran, *Mammon*, xiii.

⁴⁸⁵ See, e.g., Ibrahim Warde, *Islamic Finance in the Global Economy*. (2010), 71 – 72.

⁴⁸⁶ Warde, 72.

⁴⁸⁷ See Ibrahim Warde, 38.

led to calls to practice all areas of life— including finance— according to the “Third Way” of Islam. The idea of Islamic banking in the Middle East came to serve more than a pious religious rationale: It also served as a springboard for Muslim solidarity at the level of the psyche, informing Islamism as much as being shaped by it. Quintessentially cultural in conception and appeal, Islamic banking shifted away from its philosophical and intellectual grounding by the mid-1970s, soon becoming a rallying point for solidarity and identity even as it lost much of al-Sadr’s original, state-centered vision. No longer a concept concerned with the intricacies of distribution and production, it became instead a means to assert cultural ascendance and demonstrate rising regional power.

Conclusion

This dissertation set out with the intent to seek answers to two main questions: First, why and how was Islamic economics conceived as a form of spiritual as well as material decolonization? Second, why did Islamic economics, a potentially vast subject, come to be narrowly defined as Islamic banking by the 1970s? The questions were answered in two parts. First, through an analysis of specific historical transformations—the Ottoman bankruptcy and attendant rise of Western conventional banking in the Middle East; the transformation of the intellectual culture and religious political economy of Shiite Najaf; the influence of Bandung on Iraqi and Arab-Muslim decolonization discourses of the 1950s; and the cultural reverberations of Islamism and the 1967 Six-Day War—this project sought to uncover the formative intellectual climate and religious political economy that fomented and lent urgency to the idea of an Islamic economics. Second, through an analysis of the canonical Islamic economics texts of a single and singular cleric, this project presented and analyzed the intellectual scaffolding of Islamic economics and the theological justification for its eventual foundations within the existing structures of Western conventional banking.

Muhammad Baqir al-Sadr was neither the only person to write about the question of Islamic economics, nor was he the first. He was, however, the first Arab Muslim thinker to simultaneously propose a jurisprudentially-centered ethical need for a specifically Islamic economics *and* to invent and explore real-world, practicable

applications of his idea— or, as he would put it, exercise *ijtihād* in order to discover the Divine will regarding right economic practices.

Al-Sadr's identity as a gifted Arab Shiite from a prominent family, coupled with the extraordinary intellectual milieu and epistemic moment in which he lived, uniquely positioned him to do this creative work. As a *mujtahid* participating in a Shiite intellectual renaissance (*nahḍa*) and witnessing the widespread appeal of communism among his cohort in Najaf even as the ancient Shiite shrine cities began to suffer economic collapse, al-Sadr's mind understandably turned to the theological ethics of communism, and to the question of economy as a whole. As a cleric living during a movement toward a truly pan-Islamic rapprochement (*taqrīb*) in the midst of region-wide national revolutions, it is not surprising that he cast his ideological and theological net wide. The palpable sense of decolonizing urgency in al-Sadr's program is further made legible when it is situated alongside Bandung and the British exit from Iraq.

Thus, though the groundwork was laid through the Ottoman bankruptcy and the colonial infiltration of Western conventional banking, it is through a study of the culture and religious political economy of al-Sadr's community that we begin to gain a sense of the multiple levels through which the idea of Islamic economics developed and came to operate in the Arab Muslim world. Islamic economics was not only conceived as the physical decolonization of financial institutions. It was also a spiritual decolonization from *laissez-faire* colonialist capitalism and the interpolation of Soviet communism. It was, in its earliest iterations, cultural reassertion through an idea, making the reclamation of banking and financial practices a touchstone of both an inner, intellectual and spiritual decolonization, and an outer, society-wide Muslim decolonization. It served as a springboard for Muslim solidarity at the level of the psyche, eventually informing

Islamism and Arab banking of the 1970s as much as being shaped by them. In this vein it acted, like most decolonizing mechanisms, as a means to facilitate a form of cultural competition on the material as well as spiritual levels— not only reclaiming culture from the Europeans, but surpassing them in the global economic market by doing so.

Falsafatunā (1959) and *Iqtisādunā* (1961) were the response of a pious man keenly aware of the specific political pressures of Iraq and the broader Middle East of his time; a thinker who was attuned as much to local Shiite concerns as to the broader patriotic hopes and dreams of the July Revolution and the regional hopes of a Pan-Islamic polity. Today, *Iqtisādunā* can rightly be called the historical fulcrum in the development of a viable Islamic economics: from the time of its writing, a clear vision began to take hold of an Islamic economic potentiality. Thus, while colonial interference, Marxist infiltration, and increasingly violent clerical reactions were the spark that gave rise to al-Sadr's feverish response in *Falsafatunā* and *Iqtisādunā*, his work is nevertheless creative and constructive, comprising the first stages of a proposal envisioning a bright, restored, reclaimed, decolonized and unified Arab Muslim future.

When viewed from this perspective, Islamic economics as a topic of analysis helps us to expand the analytical scope and understanding of the implications of the intellectual work of Arab decolonization. Decolonization was not just the work of expelling the colonizers, nor is it reducible to the process of reclaiming cultural, political, and intellectual institutions—though it is and was those things. Arab decolonization was also a deeply creative process, through which intellectuals and activists region-wide utilized the knowledge and information gleaned from the colonizers in conjunction with indigenous intellectual traditions and turned their gaze inward. Colonial discourses served to spark deep self-interrogation about the meaning of identity, authenticity, and heritage,

questions that became the primary preoccupations of the twentieth century Arab world.⁴⁸⁸ Yet, critically, these questions prompted innovative responses among intellectuals of the decolonizing era. Al-Sadr's Islamic economics was not simply a reaction to the colonizer's legacy. Nor was it, to use Chakrabarty's famous phrase, limited to a form of "provincializing" European thought.⁴⁸⁹ Al-Sadr's Islamic economics of the late 1950s was as constructive as it was reactive, as much a work of theological brilliance and cultural creation as it was one of defensive reclamation. Drawing upon the wealth of Islamic jurisprudential writing and relying upon Shiite rationalist philosophical tradition, al-Sadr grounded his work apart from colonizing discourses even as he responded to them. The intellectual work of Arab decolonization, in other words, may be viewed as one of heightened creativity and exploration, not simply as anti-colonial justification.

With his post-1967 new preface to the second edition of *Iqtisādunā* (1968) and *Al-Bank al-lā Ribawī* (*The Usury-Free Bank*, 1969), al-Sadr kept up with the spirit of the times by situating his concept of a practical Islamic banking under the later decolonizing umbrella of Islamism. By presenting the agenda of Islamic economics as specifically decolonizing, al-Sadr underscored its psychological and emotive power. Colonialism and its residual evils are explicitly called out in *Iqtisādunā*'s second edition preface, while in *The Usury-Free Bank*, capitalist banking models are offered as the formative spark from which practical Islamist finance can be realized and spread. Justified as unavoidable in the absence of a

⁴⁸⁸ As Omnia El Shakry explains, "The question of Arab modernism – itself a profoundly colonial question - thus condensed the issues of identity (*huwīyya*), cultural heritage (*turath*), authenticity (*asala*), and modernity (*hadatha*) itself." In *The Great Social Library: Subjects of Knowledge in Colonial and Postcolonial Egypt* (Stanford: Stanford University Press, 2014), 12.

⁴⁸⁹ See Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton: Princeton University Press, 2007)

rightly-guided Islamic state, Western conventional banking served as a template for al-Sadr's Islamic banks, with the express intent to keep the interest-free soul of original endeavor. Under al-Sadr's and others' intellectual guidance and in keeping with the resurgent Islamist sentiment of the time, Islamic economics made its transition from amorphous theoretical construct to practical reality by the mid-1970s, maintaining its psychological weight while losing much of its original idealized jurisprudential scaffolding. Crucially, however, al-Sadr had established the spiritual and psychological bona fides of Islamic finance, grounding them in his work of *ijtihād*. Even as Islamic finance developed into a niche market of Western conventional finance, its emotive power as a decolonial option persisted.

Beyond providing a more detailed and comprehensive historical account than has previously been written on Islamic economics, this dissertation has broad implications on two different levels: First, when taken altogether, the different junctures in the development of Islamic economics combine to fill in chapters in the Islamic intellectual history of the twentieth century. In other words, Islamic economics itself, first as imaginary and then as praxis, has since its inception been emblematic of broader intellectual movements and climates of opinion in the Middle East, starting with early twentieth century Islamic modernism, moving to the rise of communist movements and the little-studied movement for *taqrīb* in the 1940s and 1950s, leading to post-revolutionary decolonization and attendant nationalisms, and finally ending with the rise of region-wide Islamisms in the 1970s. Throughout these four successive periods in

Middle East intellectual history, Islamic finance operated as a cultural touchstone of authenticity, power, and anti-colonial resistance.

Second, in part because it combines a focus on ethics and theology with one of culture and statecraft, Islamic economics serves as an excellent conceptual bridge for historians eager to problematize some of the stark binary constructions inherited from Western-based historical theory. Even the political economy of religion is surprisingly understudied as a whole, despite its obvious relevance. As Omnia El-Shakry and Ibrahim Abu ‘Rabi have rightly noted, one cannot properly do intellectual history of the Middle East without negotiating Islam,⁴⁹⁰ yet there is a tendency among scholars to reduplicate Western models drawing sharp divisions between “religious” and “intellectual” thought as subjects of study. Al-Sadr’s wide-ranging intellectual work, emerging from an ancient Shiite center and now informing global financial networks, is self-aware and exacting, theological and logical, a deft demonstration of the older, pre-colonial Muslim principle that Islam encompasses all and is not “separate and separable.”

As explicitly envisioned means of decolonization, Islamic economics and Islamic finance of the early-to-mid twentieth century were simultaneously societal and personal, outwardly practical and realizable while inwardly spiritual and psychological, defying easy disciplinary categorization. The phenomenon of Islamic economics— a theologically-rooted and culturally-inflected approach to the structures surrounding wealth and its acquisition— allows for a critique of the twentieth century Western scholarly axiom that economics at its core is purely theoretical and objective, an observer rather than a participant in human subjectivity. This, in turn, opens up the theoretical

⁴⁹⁰ El-Shakry, 925; Abu ‘Rabi, *Contemporary Arab Thought* (Pluto Press, 2004), 9.

ground to interrogate long-held presuppositions, including both the relationship between economics and culture and the relationship between church and state. Al-Sadr, and the phenomenon of Islamic economics as a whole, may be the lens through which we can begin to examine the ideological and theological presuppositions informing free market capitalism and modern financial networks as a whole.

Put another way, al-Sadr's concept of a "doctrine" of economics (as opposed to a science) is a framework to rethink the way that we conceptualize money and economy in history generally. When combined with the reality of contemporary Islamic banking, the cultural and ethical underpinnings of economy— how we choose to conceptualize value and organize and negotiate valuables— is far more informed by cultural constraints and ideological forces than is often considered. In other words, rather than only viewing economic history as a separable category, structured in large part by the system of nation-states (GDP, tariffs and imports, etc.), Islamic economic history has the potential to hold up a mirror to the world, enabling us to interrogate the intimate relationship between economics and culture at large.

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